Daily Report

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FBIS-EEU-95-064 *4 April 1995*

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NOTICE TO READERS: This volume contains a representative selection of material previously disseminated in softcopy format.

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FYROM Paper on 'Party Rivalry' in Albania

95P20674A Skopje FLAKA E VELLAZERIMIT in Albanian 15 Mar 95 p 5

[Article by A. Sinani: "The Albanian Political Scene—Party Rivalry Is Increasing"]

[FBIS Translated Text] Tirana, March—A few days ago, Albanian students from Macedonia [The Former Yugoslav Republic of Macedonia—FYROM] organized a protest meeting in Albania against the violence the Macedonian government is exercising against Albanian education in Macedonia. The protesters were joined by a group of youths from Tirana who were disappointed that it was not a protest by the Socialists. Breaking off from the other group, the Tirana youths expressed their desperation as follows: "Those people (that is, the Albanian students from Macedonia) want to get us into war." Even though this incident might seem banal, in current political circumstances in Albania it means that the Democratic Party [PD], after three years in power, no longer has the support of the people or the electorate. On the other hand, the Socialist Party [PS], as the biggest competitor of the Democratic Party, is getting stronger, day by day. The fact that the Tirana youths left the protest group does not mean that they are against education and other rights for Albanians in Macedonia. It should be understood, rather, as a revolt against the policy of the present government in Albania, because Albanian political subjects outside Albania carry out almost all their activities in the framework of the ruling party.

The Constitution—An Apple of Discord

Since last November, after the defeat of the referendum for the approval of the constitution, in addition to the usual political issues and business on the political scene in Albania, the constitution—that is, the manner of approving it—has been an apple of discord both in the ruling party and between the PD and the opposition parties. The failure to approve the constitution in the referendum of 6 November, a referendum initiated by the PD, and the earlier defeat of this party in local elections, along with the departure of many well-known figures from this party, not only represent a strong blow for President Sali Berisha but also provide a new incentive and encouragement for the opposition parties, especially Fatos Nano's socialists, a party which, although it is not in power, feels that it has won. In its 26 July [1994] elections, the PD lost part of its power, local power, while on 6 November it gave up another part of its power: political confidence. In the meantime, there have been many changes in the Albanian government that, along with the serious conflicts within the PD, have helped to strengthen the Socialists. Actually, in Albania, when "shadow governments" are formed and when names are mentioned (the PS did such a thing a few days ago, saying that it has not formed a government but has named heads of commissions), anything is believed, and laws are implemented by means of the opposition's whip. According to public opinion polls, political analysts are saying that the socialists will be closer to victory in the coming elections. The removal of Eduard Selami from the position of PD chairman only two days after 20 well-known Albanian newspapers elected him Albanian politician of the month was directly connected to the issue of the Albanian constitution. After the referendum and after his return from Strasbourg, which Selami visited as chairman of the Foreign Affairs Commission of the [People's] Assembly of Albania, he called for the constitution to be submitted to the parliament (the opposition members in the parliament are of the same opinion). This position is in conflict with that of President Berisha and the PD National Council, who insist that the constitution be approved by referendum. This is the source of the disagreement between Berisha, who is the head of state, and Selami, the head of the ruling party. This "was the worst outcome," Selami said, after the conclusion of the extraordinary conference and his removal. "I consider myself to be a reformer. The others who are against me call me a rebel. I proposed the combining of the position of party chairman with that of prime minister, as a solution. As party chairman, I did not have the necessary strength to exert an influence. In my opinion, the PD has been transformed into a servant of those in power. In a democracy, the reverse is true: those in power serve the program of the party. Out of fear of being a state party, we forget that we are a ruling party," Selami explained after his removal from the post of PD chairman.

On the other hand, PD General Secretary Tritan Shehu (it is said that after Selami's removal, he will be guiding the party) says that Selami's proposals are unacceptable and destabilizing, that his resignation and his careerist attitude about the position of prime minister are harmful, and that his idea about the submitting the constitution to parliament is borrowed." President Berisha, contradicting Selami's opinion that the investment and development plan has failed, told the PD extraordinary conference that: "The Democratic Party has implemented its contract with its electorate: investments in 1995 are twice as high as a year ago, and 4,000 people have found employment."

Are Early Elections Possible?

A political war is currently being waged on the Albanian political scene. Servet Pellumbi, deputy chairman of the Socialist Party, said that the PS has begun its preelection campaign, stating, at a meeting in Durres: "We will win the elections or at least we will be the first party.... The reform is being blocked, corruption in state organs is at a very high level and the alternative presented by us has support among the voters."

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This political war that is currently going on in Albania indicates that the opposition desires the political weakening of the Berisha line. The constitution can be submitted to the People's Assembly only if the power of the president is weakened—something that is expected after the "rebellion" of Selami, who, it is said, is supported by about 20 other PD deputies. For this very reason, early elections in Albania are inevitable. Despite the report that the new PD chairman will be elected in the fall at the party congress, he will certainly be elected earlier. Until then, the PD will be the third Albanian party without a chairman (after the Socialist Party and Balli Kombetar-[National Front]). Utilizing mass psychology, Selami, chairman up to now, might present himself as a martyr and hero prior to the new elections. His insistence on his own stand, in opposition to President Berisha and the National Council, gives the impression that Selami is getting ready for the next elections.

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Commentary: Independent Judiciary Under Attack

AU0304115095 Sofia DEMOKRATSIYA in Bulgarian 28 Mar 95 p 3

[Commentary by Khristo Khristov: "BSP Fighting on Three Fronts"]

[FBIS Translated Text] Seeking revenge for its defeat last year, the Communist Party has again declared war on the independent judiciary. For the time being, the Socialist-Communists are only threatening the magistrates with words; however, their incompetent jurists are already planning new sabotage.

The Bulgarian Socialist Party [BSP] is skillfully utilizing the request for the dismissal of Ani Kruleva and, indeed, is indicating that it never stopped dreaming about controlling an obedient judiciary. Minister of Justice Mladen Chervenyakov openly admitted that immediate amendments to the judiciary bill are needed. However, it appears that Chervenyakov either has a short memory or refuses to remember that it was precisely the party in whose cabinet he is a minister that urgently passed the same bill in summer 1994. At that time the red witch doctors overtly rejoiced at the changing of the guard in the judiciary and claimed that Tatarchev [chief prosecutor] and Grigorov [head of Supreme Court] had to go. However, they did not appear to take everything into consideration, because the Constitutional Court thwarted their half-baked plans.

By also declaring war on the president, the BSP has clearly marked down two of its enemies, against whom it will be concentrating its forces. However, fighting on two fronts forebodes a failure that would accelerate the defeat of the Communist Party, especially if we remember that there is a third front: the opposition. The attempt of Zhan Videnov's cabinet to conquer the judiciary would prompt the people to remind the BSP of its preelection promises, including the one about coping rapidly with crime. Videnov's ministers promised rapid changes in the legislative basis, but no proposals have yet been submitted to the National Assembly. Actually, why should they invest too much thought on the important procedural bills? After all, the BSP is not making too much effort to accelerate their passage, because it is not interested in strong investigative or prosecution bodies or courts.

Tsochev Said Hiding Truth About Russian Debt

AU0304131295 Sofia DEMOKRATSIYA in Bulgarian 31 Mar 95 p 3

[Commentary by Iskra Pavlova: "Price of Russian Markets"]

[FBIS Translated Text] One of the issues discussed by [deputy prime minister] Kiril Tsochev during his visit to Russia on 16 October 1994 and again with highranking representatives of the Russian Government during his recent visit was projects related to the supply of oil and natural gas to Bulgaria. Videnov's cabinet is avoiding public discussion of this issue because, according to the cabinet, this is an issue that involves geopolitical risks that could put our national refineries and system of transporting and processing natural gas into a position of dependence. Prime Minister Videnov refused to answer the interpellation of former Prime Minister Filip Dimitrov, member of the National Assembly, regarding the fate of the cession contract between Bulgargas and Multigroup because, according to Videnov, this was a deal between judicial entities. Videnov announced that so far not a single company of Multigroup has a contract with Bulgargas on constructing natural gas pipelines. A part of the transit gas pipelines from Russia to Greece and Macedonia [The Former Yugoslav Republic of Macedonia—FYROM] (on Bulgarian territory) is being constructed by Gasstroymontazh, with Bulgargas as the chief investor. For this purpose Bulgargas has received 300 million leva from the Credit Bank and the Discount House. The construction is effectively financed by Multigroup and the contract continues to be binding because there has been no judicial decision on ending its validity.

Upon returning from Moscow, Tsochev forgot to say for what price Bulgaria has allowed the use of the facilities on our territory. It is well known that Russia has already signed contracts on the supply of natural gas with Serbia and Turkey. Bulgaria was the missing link of the transit gas pipeline. The noisy praise Tsochev received upon his return from Moscow regarding the claim that Bulgaria has settled $1 billion of its foreign debt was a smokescreen to cover this issue exceptionally important for our national security.

The other issue with which the Socialist cabinet and the Bulgarian Socialist Party [BSP] headquarters tried to divert public attention from the topic was that of the loss of so-called traditional Bulgarian markets. The collapse of Russian industry and the chaos that reigns in its markets has turned the "traditional partner" into an unappealing one, because Bulgarian companies are receiving almost nothing for the goods they export to Russia. The issue of the two countries' mutual debts was the stumbling block of talks held over the last few years. Deputy Prime Minister Tsochev admitted that by 1990 about half a million convertible rubles had accumulated in Bulgaria, while their rate vis-a-vis the dollar had decreased. The clearing export was stopped in 1992. The deputy prime minister deliberately omitted an important detail: At the beginning of the negotiations, Moscow owed us 1 billion convertible rubles, while our debt to Moscow was $600 million. Tsochev's claims that the government of the Union of Democratic Forces [SDS] made only perfunctory steps to collect the debt and that serious work on this began only after he was appointed to Professor Berov's cabinet, are also false. According to official figures, Russia owes us for our goods 600 million convertible rubles, 460 million clearing dollars, and about $50 million for exports from our defense industry.

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The first agreement on the debt was signed by the SDS government in 1992. According to that agreement, Russia was supposed to pay Bulgaria 500,000 clearing dollars at the rate existing at that time: 1.7 rubles for $1. Let Mr. Tsochev check and clarify why the Russian side went back on its word, refused to implement the agreement, and decided to include in the total amount of our debt Bulgaria's debts to Russian banks abroad, which had already been included in the deal with the London Club. At that point the negotiations encountered great difficulties, because Moscow wanted Bulgaria to pay that debt separately.

The Socialist cabinet is also keeping silent about another significant detail: The Russian side has protracted the payments. The debts of the Bulgarian Foreign Trade Bank, until announcing the moratorium, were about $500 million, while the accumulated old interest that we owed Moscow Narodniy Bank (London), Eurobank, and Donaubank amounted to more than $800 million. Kiril Tsochev is talking about the lost Russian market, but he forgets to mention the intentions of our "traditional" partner to apply the zero variant of the payments: namely, equalizing debts and eliminating them. It is obvious that our mutual trade relations will again develop under the "natural exchange form." The negotiations, which continued for four years, only helped to determine the amount of the Russian debt: $100 million. Obviously, the technical details should not be a matter of interest for Bulgarian taxpayers.

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Holan Sees NATO Membership in 'Next Few Years'

AU0404104295 Vienna KURIER in German 4 Apr 95 p 4

[Article by W. Theuretsbacher: "Prague Heading Toward NATO"]

[FBIS Translated Text] The Czech Army is being brought up to NATO standards at full speed. The Czech Republic would welcome Austria's accession to NATO, Czech Defense Minister Vilem Holan said in an interview with KURIER.

On the sidelines of a visit to Defense Minister Fasslabend in Vienna, Holan outlined the Czech Republic's plans: "Prague has clearly decided in favor of joining NATO. It will best guarantee our security." Does Moscow like that?—"Of course, Russia must not be isolated as a result of NATO expansion," Holan said. But he decisively rejected any interference on Moscow's part: "NATO membership is an issue that must be clarified exclusively between the NATO members and the Czech Republic."

Austria's accession to NATO would be "a constructive contribution to stability—also for the Czech and Slovak Republics and for Hungary." Holan wants to see Prague "in the club" soon: "I think we will become a member of NATO within the next few years."

Klaus: Russia's Attitude Irrelevant

AU0304151795 Prague DENNI TELEGRAF in Czech 24 Mar 95 p 3

["Regular interview" with Czech Prime Minister Vaclav Klaus by Tomas Chalupa in Prague on 23 March: "NATO Expansion Will Not Be Decided in Moscow"]

[FBIS Translated Excerpt] Prime Minister Vaclav Klaus comments in a regular interview on relations within the coalition, trust in coalition ministers, and Czech-German relations. [passage omitted]

[Chalupa] The Russian side has again reiterated its opposition to the entry of the Central European countries into NATO. What do you expect from Bill Clinton's May visit to Moscow? Are you at all concerned that talks could take place about us but without us?

[Klaus] I would not demonize this issue and it always makes me smile how our media make it their dominant question. I cannot at all understand, although I disagree with it, why it is better for Russia if a security organization, which does not want Russia itself as a member, does not have Russia's neighbors as members. I am only certain that this is not relevant in the decisionmaking and that the decision will not be made in Moscow but elsewhere. Therefore, I am completely calm, regardless of the fact that I am holding talks in Washington on 4 May, several hours or days before Bill Clinton's visit to Moscow. This gives us an opportunity to emphasize precisely this issue. [passage omitted]

[Chalupa] Jan Ruml described on 22 March his present deputy Martin Fendrych as his successor as interior minister. According to Ruml, it would not even matter if Martin Fendrych joined the Civic Democratic Alliance, on whose slate he ran in the 1992 parliamentary elections. How do you feel about this initiative of Ruml's?

[Klaus] It is for me a surprising initiative as the interior minister's post will undoubtedly be a hot one in any government, after any elections, and the results will hint as to which party will get the chance to fill it. So speculations of this type seem to me completely useless.

[Chalupa] Do you consider Jan Ruml's intention to leave office after the 1996 elections a fortunate one?

[Klaus] I am not yet taking it altogether seriously.

Klaus Insists Dialogue With Germany Thriving

AU0304141995 Prague LIDOVE NOVINY in Czech 24 Mar 95 pp 1, 3

["Regular interview" with Prime Minister Vaclav Klaus by Eva Martinkova in Prague on 23 March: "I Am Not Aware of any Czech-German Problem"]

[FBIS Translated Text] In his regular interview, Prime Minister Vaclav Klaus comments on relations within the coalition, trust in coalition ministers, and Czech-German relations.

[Martinkova] Did you reach agreement with the president at the meeting on 22 March in your assessment of the situation in the coalition?

[Klaus] It is not a question of whether or not we agreed. We certainly hold the same opinion in this regard. I believe that ever more people are understanding that what moves our political scene is not an intracoalition skirmish, as has been presented last few days. I believe that the argument that concerns the accusations against people close to the Civic Democratic Alliance [ODA] has moved to a different plane. Speculation that someone was setting a trap for the ODA has become a specific dispute about the extent of responsibility and it is not being conducted between the coalition partners.

[Martinkova] Have you been contemplating the consequences if one party withdraws from the coalition?

[Klaus] That is not the issue at all. I do not expect any party to withdraw from the coalition, and so I am not much troubled by additional formalities. Nevertheless, even thinking about a possible withdrawal of one party is not a question of tension within the coalition. It is rather a question of a possible threat to that party, but I do not believe that this threat comes from anyone in the coalition.

[Martinkova] Do you trust the coalition ministers? Is it not conceivable that one of them is surreptitiously selling

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information from the government that could benefit some firms? Lately, something like that has been rumored.

[Klaus] I really do not believe that anything like that exists. Sometimes I am really sad about formulations you see in the press that reporters know from reliable sources close to the government that the government discussed this and that. It is beyond my comprehension, but I would not call it a cabinet leak. Above all, however, I do not believe in the existence of information of a type worth passing on. The government discusses the establishment of the Supreme Court in Olomouc or private security services and so on for several hours. Usually, however, it is a case of submitting bills or certain government decisions. Nevertheless, I do not believe such information is secret or of interest to anyone in such a way that he could profit from them.

[Martinkova] Recently, you have met with many German representatives. What do you see as the problem of Czech-German relations? Is there not enough dialogue?

[Klaus] I object to the accusation that we are not conducting a dialogue. On Saturday morning, I received in Zelezna Ruda a delegation of Bavarian mayors from the towns near the border—that is a dialogue. I skied all day at Javor with the Bavarian Mountain Rescue Service—that is a dialogue. The next day, we held four hours of talks with Theo Waigel, chairman of the CSU—that is a dialogue. On Monday, I made a speech at the German Embassy in Prague at a farewell meeting with Mr. Reuter, representative of the Konrad Adenauer Foundation [an educational foundation close to the CSU]. On Tuesday, I had talks with the German defense minister, and today I am meeting Mr. Seiters, who is coming as Chancellor Kohl's personal envoy. We have not engaged in a 10th of such dialogue with any other country as we have with Germany.

I believe that Czech-German relations are absolutely in order. If there is a problem, then it lies in several controversial issues in inner-German and inner-Czech relations. Certain German politicians have problems with a certain German group making various demands, and certain Czech politicians have difficulties with a certain Czech group that wants something. I do not very well understand, why the idea of reconciliation is perpetually forced upon us. In my talks with Mr. Waigel, I rejected the idea of reconciliation. I can only become reconciled with someone with whom I am unreconciled. In Czech-German relations, I consider this a false objective.

Concern Voiced About Slovak-Russian Agreement

95CH0180A Prague PRAGUE POST in English 28 Feb 95 p 1

[Article by Vladimir Todres: "Slovak Pact With Russia Is Inspiring Czech Fear"]

[FBIS Transcribed Text] Bratislava—A bilateral agreement between Slovakia and Russia to waive visa requirements for travelers has raised fears among Czech officials of an uncontrolled influx of Russian workers—and criminals.

Russian Prime Minister Viktor Chernomyrdin and Slovak Prime Minister Vladimir Meciar signed the agreement Feb. 13 in the Slovak capital. The pact eliminates visa conditions that were established before the fall of communism. Russians will now be able to travel through Ukraine and enter Slovakia with only a passport.

"The new (agreement) will most probably bring an increase in consumer-goods smuggling, petty crime and black trade in border regions," said Pavel Bem, secretary general of the Czech National Drug Commission.

The border between Slovakia and the Czech Republic is highly porous. Travelers report that trains are only cursorily inspected.

"Trains often are not being controlled at all," said Andrea Cevelova, an economics student in the Czech Republic who often visits relatives in Slovakia.

A journalist who frequently crosses the border reported that many night trains are not inspected, and that, when trains are inspected, many passengers seem to disappear one step ahead of the officials.

The Czech Republic's borders with Poland, Germany and Austria are much more strictly controlled, travelers agreed. But Beata Bernikova, a spokeswoman for the Czech Interior Ministry, insisted that conditions on the Slovak border were "nearly standardized" and would be sufficient to prevent any influx of immigrants.

Czech officials are doubtful that those fleeing troubled regions of the Russian Federation will be satisfied with Slovakia as a destination. Average incomes in Russia exceed the Slovak standard wage, and entry into the Czech Republic might ease Russian emigrants' entry into Western Europe.

In Slovakia, as in the Czech Republic, the visa agreement drew political fire.

The leftist Slovak daily PRAVDA quoted former Interior Minister Ladislav Pettner as warning of "the risks of organized crime structures" coming into the country.

According to Brigita Smognerova a deputy prime minister in the toppled government of Jozef Moravcik and now in Bratislava's parliamentary opposition, "Unpredictable developments in Russia could result in a big wave of emigration."

But Meciar defended the agreement. "Having summed up all the advantages and disadvantages of the previous regulation, we decided that it put obstacles in the way of our economic relations," he said.

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U.S. Arms Offer Appears Beyond Country's Means

95CH0192F Prague PRAGUE POST in English 14 Mar 95 p 4

[Article by Vladimir Todres and Brendan McNally]

[FBIS Transcribed Text] By declining a recent offer to buy modern U.S.-made arms, the Czech Republic may have underscored once again that it could take most former Eastern-bloc countries quite a while to meet Western arms standards, a requirement for NATO membership.

Czech defense officials thanked the United States for the offer but said the arms were still beyond the country's means.

The U.S. government decided in mid-February to start selling F-16 fighter jets, tanks and other offensive arms to 10 former communist countries: the Czech Republic, Slovakia, Poland, Hungary, Lithuania, Latvia, Estonia, Romania, Bulgaria and Albania.

The decision, announced during a visit to the United States by Polish acting Defense Minister Jerzy Milewsky, signals a significant change in U.S. policy toward Central and Eastern Europe. Previously, Washington forbade any transfer of sophisticated weapons to former Warsaw Pact countries. The United Sates has previously blocked an attempt by Belgium to sell F-16 jets to the Czech Republic.

The Czech Republic, however, simply lacks the money to replace Soviet-made arms with Western ones, according to Prime Minister Vaclav Klaus.

Klaus offered an automobile analogy to illustrate the situation. "You cannot simply jump from a Trabant to a Mercedes. We will remain the country of Skoda Favorits for a certain time," he told reporters. "This is true for the Army also."

The purchase of one F-16 jet reportedly would set the Army back $33.3 million, while the cost of modernizing one Soviet-made MiG-21 fighter is estimated at $5.6 million.

"We are extremely pleased by the United States' move, but we are financially limited," said Defense Ministry spokesman Zdenek Borkovec.

A plan to modernize the Czech Army over a period of 10 years provides 120 billion Kc ($4.4 billion) for arms purchases. According to Major General Jiri Nekvasil, a switch to NATO communications standards, rather than tanks or jets, is the first priority.

The decision not to buy the F-16s is good news for the state-owned aircraft repair works Letecke opravny Kbely (LOK), which is considered the main candidate to carry out the MiG upgrades.

Among the 10 countries offered new arms, the majority are, like the Czech Republic, short of money and will likely continue using Soviet-style weapons for some time.

Slovakia, for instance, has agreed to accept Russian arms in lieu of debt payments. In 1994, Russia repaid $180 million of its debt, mainly with weapons, including MiG fighter jets.

Using an official euphemism for weapons, Russian Deputy Prime Minister Yuri Yarov told THE PRAGUE POST that, this year, "At least 90 billion rubles ($22.5 million) will be paid back in 'special equipment.'"

During his February visit to Bratislava, Russian Prime Minister Viktor Chernomyrdin said his country is prepared to repay its $1.6 billion debt by sending "as many arms as Slovakia will require."

For the time being, only Poland is planning to accept the United States' offer.

"We would like to buy a dozen F-16 jets and several training planes," confirmed Gen. Jan Kuriata, Poland's deputy defense minister, in late February.

Ministry Official Releases Arms Export Statistics

AU0304192495 Prague DENNI TELEGRAF in Czech 27 Mar 95 p 1

[Article by Petr Bartak: "Trade in Military Materiel Continues To Grow"]

[FBIS Translated Text] A total of 176 licenses were issued for trading in military materiel in the period 1 January-24 March of this year. Over the entire last year, the Ministry of Industry and Trade issued 542 such licenses. This information was released to DENNI TELEGRAF by Bretislav Gregr, director of the Special Material Section.

This year, just like last year, the export permits dominate over the import ones. Last year, 320 export and 222 import licenses were issued. This year, so far, 104 export licenses and 72 import permits for military materiel have been issued. The licenses also include in the total arms, ammunition, and explosives of nonmilitary character. The total value of the exported materiel amounted to $194.21 million last year, which is 16 percent more than in 1993.

The main export item was aviation equipment that represented almost 80 percent of total exports last year. The L-39 and L-59 aircraft traveled to Egypt and Thailand. In addition, 176 armored carriers and 40 T-55 tanks were exported, mostly without the turrets and guns. Otherwise, the aforementioned ground forces equipment would have to be liquidated in accordance with the Vienna convention at the cost of the Czech Republic. The total share of the tanks, armored vehicles, and other wheeled equipment amounted to almost 10

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percent. Exports of hand-held firearms are also considered significant, particularly the supplies for the Turkish police. The hand-held firearms amounted to more than 2 percent of total exports. Several written-off OT-810 carriers and MiG-21 aircraft were exported for purposes of museum exhibitions.

Military materiel was exported to a total of 52 countries last year. The shipments went to 18 European, 16 Asian, six African, and 12 countries of the two American continents. The supplies to Egypt and Thailand represented the decisive share in the exports.

Adast Sells Missile Equipment to Vietnam

AU0404092095 Prague LIDOVE NOVINY in Czech 31 Mar 95 p 16

[Article by "ivh": "This Year, Omnipol Will Export to Vietnam Equipment for the Manufacture of GRAD Missiles"]

[FBIS Translated Text] Adamov/Prague—The Prague Omnipol company will export to Vietnam Adast-Adamov equipment for the manufacture of GRAD missiles. LIDOVE NOVINY obtained this information yesterday from Adast Director General Jan Dosek, according to whom, after a two-year interruption, the firm is also returning to special production—a new type of missiles.

Dosek also said that the Omnipol trading company concluded with the Vietnamese Government the contract on the supply of the equipment for the manufacture of GRAD missiles because Adast Adamov does not have an arms export license. "The shipment to Vietnam passed through the standard approval process, was approved by the appropriate ministries, and is in accord with the law on export of arms," the director general emphasized. The Omnipol representatives discussed the speeding up of the shipments in Adamov yesterday, and also a possible expansion, which, of course, is not covered by the present license. The trade with Vietnam is, according to Dosek, very lucrative for both Adast and Omnipol (he did not impart, however, the amount paid), and it should be concluded in November, when the Vietnamese are to launch the trial production of the GRAD missiles.

The Adast firm [based in Blansko, south Moravia] is also interested in selling 440 Konkurs antitank guided missiles (also through Omnipol) that it has kept in military warehouses since 1992. Adast obtained the Konkurs missiles worth 168 million korunas [$6 million] as a debt repayment from the Slovak ZVS Dubnica arms manufacturer, which filled the cartridges manufactured in Adamov with explosives. Since the then still federal army refused to accept delivery of the ordered 900 Konkurs missiles, the Slovak side, as the contractor, was unable to pay Adast. "The payment by missiles was practically the only possibility of collecting from Dubnica," Dosek observed.

During the past three years, however, Omnipol has not managed to sell the missiles abroad. It has found two serious potential buyers, but the Ministry of Trade and Industry License Administration upon agreement with the Foreign Ministry denied the application for an export license in both instances. Omnipol is reportedly now seeking a license for exporting the Konkurs missiles to an unspecified third world country.

Technology Transfer Taxes Cause Legal Problems

95CH0192E Prague PRAGUE POST in English 7 Mar 95 p 12

[Article by Henk Goosen, tax lawyer with the Prague office of the accounting firm Coopers & Lybrand: "Technology Transfer Tax May Lead to Legal Restructuring"]

[FBIS Transcribed Text] The Czech Republic has an impressive industrial and technological history. Although, during the communist era, this high level of technology deteriorated somewhat, it is still quite good.

But because of real or perceived higher standards in Western countries, the rate at which Western technology is imported and used in the Czech Republic is increasing. The cost of importing this technology partly depends on the legal structure through which it is acquired.

The technology may, for example, be bought from an unrelated foreign party. The Czech enterprise would either pay a lump sum as purchase price, or, more commonly, a regular monthly or yearly fee for the use of the technology.

This type of fee for industrial or technological know-how, whether it is recurring or paid as a lump sum, is—for tax purposes—called a royalty payment. Such a payment is thus subject to withholding tax, in principle at 25 percent. The payer has to withhold from the gross amount of the royalty this 25 per cent and then pay this amount to tax authorities. Luckily, the Czech Republic has an extensive network of tax treaties, based on which the rate of tax is generally reduced. Normal cultural royalties, such as the payments for rights for books, films, music, etc., are usually exempt from withholding tax. This ensures that at least there is no tax barrier on the import or export of culture.

Technological royalties are usually less favorably treated. A royalty payment for know-how to another European country is usually subject to a 5 percent tax; the usual tax rate on payments to other countries is 10 percent. Unlike the regular corporate income tax, this withholding tax usually can be credited in the foreign country only to a very limited extent. Consequently, this levying or withholding of tax on the payments actually increases the price for the technology.

The same problem arises if a foreign multinational wants to arrange product manufacturing in the Czech Republic through a local subsidiary or through a Czech joint-venture company. Since the Czech Republic can still be

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classified as a low-wage country, many investors seek to shift their production capacity to the Czech Republic.

Often the foreign multinational will then need to provide the local company with specific know-how. By using the legal structure of a separate company in the Czech Republic, the multinational is subject to the withholding tax, which will come due on payments for the transfer of the foreign technology.

Foreign multinationals faced with this issue may think about changing the legal structure of their investment. It may be beneficial for them to reorganize their subsidiary or joint venture in such a way that the foreign multinational has only a branch office in the Czech Republic.

Such a branch office is not a separate legal entity. Only for tax-accounting purposes must a split be made between income and expenses that should be allocated to the Czech Republic, or alternatively, to the country of the foreign head office. Since a branch is not a separate entity, it is not possible, or necessary, to legally transfer technology rights to the branch. Similarly, in using these rights, there is no need for the branch to make any royalty payments to the head office.

How does this relate to the multinational's corporate tax position? Since royalty payments are actual business expenses, they are, in principle, deductible (at the Czech corporate tax rate of 41 percent) from the Czech company's tax base. On the other hand, royalty receipts are probably taxable in the foreign multinational's home country. Arguably, a multinational may not be too strongly opposed to royalty payments from its Czech subsidiary, as long as the corporate tax rate in the Czech Republic is much higher than the tax rate in the home country.

However, to determine the tax base of a branch in the Czech Republic, the branch must be viewed as a separate business. According to Czech tax law, and this is generally confirmed in tax treaties, a reasonable amount of research and development costs may be attributed to the branch and can be taken as a tax deduction there. Although one can disagree with the tax inspector on what is a "reasonable amount," the principle remains that the research and development costs underlying royalty payments can be deductible also for a branch office.

Given the tax costs of using Western technology, especially in the form of a royalty withholding tax, the question arises whether the benefits are worth it. It is not surprising that companies that are confronted with this question are reconsidering their legal structure to reduce the burden of tax. In some cases, where a foreign multinational wants to transfer technological know-how to a related Czech business, it may be advantageous to structure the Czech enterprise as a branch rather than a company.

Army Lack of Funds, New Management System Viewed

95CH0179B Prague HOSPODARSKE NOVINY in Czech 7 Feb 95 p 7

[Article by Petr Bakovsky: "The State Budget Cannot Be the Sole Source for Assuring the Requirements of the Army"]

[FBIS Translated Text] For this year, the Ministry of Defense was allocated more than 27 billion korunas [Kc] from the state budget. Of this amount, somewhat more than Kc4 billion (4.06 billion) is destined for modernizing the Army. The majority of the armament and equipment of our military is morally and technically obsolete and is in need of either being exchanged or at least thoroughly modernized. In this area, the fundamental document for enumerating the overall needs of the Army is the "Acquisition Plan of the Army of the Czech Republic for the Years 1995 Through 2005." According to its conclusions, however, the Army would need around Kc12 billion for modernization.

In calculating its financial resources, the Ministry of Defense is starting out with the assumption that some 2.5 percent of th[illegible]P will be allocated to its budgetary capital. This ye[illegible] the original proposal it requested a budget of 2.42 [illegible]ercent of the GDP; however, after adjustments its budget was reduced by Kc697 million and its share of the GDP declined to 2.36 percent. If the Army were actually to receive 2.5 percent of the GDP, then it could utilize perhaps Kc1 billion more for modernization purposes.

To the extent to which the government as well as parliament will approve the Army requirements, the rising GDP will provide the Army even with greater opportunities to purchase equipment. Nevertheless, it is not possible to anticipate that a mere increase in its budget, in dependence upon a growing GDP, will cover all requirements enumerated in the Acquisition Plan. Minister Vilem Holan told our newspaper that the ministry is doing that which the budget makes possible. "The new system of planning, programming, and budgeting makes it possible for us to make a plan not for one year, but with a 10-year horizon. In other words, we are adapting to the magnitude of the budget, so that we can purchase, acquire, develop, or repair whatever is necessary." As an example, the minister cited the schedule for purchasing L-159 aircraft over a period of several years, depending on financial possibilities. The Acquisition Plan can also be changed according to potential changes in the threat risk to the state and according to resources which will be available.

In order for the higher requirements of the Army to pass both in the government and in parliament, representatives of the Ministry of Defense feel that it is necessary to change the financial streams within the Army. Until last year, no one was able to determine what the actual cost of operating individual units was. A predominant part of

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the Ministry of Defense expenditures is allocated by the Army to support its own operations. While this year the Acquisition Plan is operating with an allocation of not quite 15 percent of the budget, in future the ministry desires to reach a level of 30 percent. Increasing the resources flowing from the state budget can therefore not be the sole source of finances to modernize the Army. According to V. Holan, the effort to achieve maximum savings and efficiency of management is also a source. The minister sees this variant as a second way of acquiring financial resources. This is also connected with the transition by the Army, as of 1 January 1995, to a new system of management and, within its framework, adopting double-entry bookkeeping. The military expects that it is precisely this system that should become the prerequisite for the actual economic utilization of resources; it should be able to show where there is a shortage of resources and where, on the other hand, they are being wasted. As early as this year, however, the budget of the Ministry of Defense is already attempting to lower operating costs. This is reflected in resources allocated to pay and additional expenditures tied to wages. There is also a decrease in the number of career military personnel by approximately 12,900 and a decrease in basic service soldiers by approximately 21,500 in comparison with 1994.

However, the Army is short of finances not only for modernization purposes. For example, the internal debt for equipping barracks is running around Kc8 billion according to not only former Minister of Defense Antonin Baudys, but also the present minister, Vilem Holan. Soldiers are, thus, frequently compelled to live under absolutely unsuitable conditions. According to V. Holan, this is a hopeless situation which the ministry will attempt to resolve even through using nontraditional means. One of the possibilities might even involve the utilization of proceeds from the sale of surplus Army real estate for repairing barracks. On this topic, V. Holan told HOSPODARSKE NOVINY that he can well imagine a situation which will require some kind of amount outside of the standard military budget, for example, the weighty debts involved in equipping barracks.

However, the minister does not exclude the possibility that in the more distant future the question of finalizing the armament at the disposal of Air Defense (PVO) could be brought up in a similar extrabudgetary manner. A quality PVO system has gained in importance following evaluation of experiences collected as a result of the Persian Gulf war and our Army is predominantly equipped with the same weapons systems operated by the unsuccessful Iraqis. Modern PVO weapons systems are, however, very expensive; the acquisition costs for a single new-generation fighter aircraft or for a battery of Patriot antiaircraft guided missiles are running around approximately $94 million. According to V. Holan, given the character of our territory, it would therefore be better and cheaper to take care of air defense within the framework of the entire central European region. Also, the air defense umbrella of the alliance would be of great importance to us. The creation of technical conditions for membership in NATO, however, means the express improvement in the quality of equipment at the disposal of our Army. V. Holan judges that this must involve information science and PVO facilities in the first place. That is also why the Acquisition Plan expects to use the greatest portion of the overall Kc120 billion allocated for modernization for the years 1995 through 2005 to acquire combat aviation equipment, its weaponry and ammunition. This amounts to 27.9 percent of the overall sum—in other words, more than Kc33 billion.

Efforts Continue To Cut Hazing Abuses in Army

95CH0192D Prague PRAGUE POST in English 7 Mar 95 p 1

[Article by Tomas Kellner: "Army Targets Hazing Ritual"]

[FBIS Transcribed Text] Desperately striving to change its image to that of a Western-style professional force, the Czech Army has ordered new policies aimed at suppressing an age-old grievance of new conscripts and their parents: abuse by more seasoned soldiers.

According to young soldiers, most cases of hazing involve economic harassment. They are stripped of their pocket money or forced to serve as valets. Sometimes conscripts have to entertain older soldiers by barking at a light bulb or pretending they are a Prague metro train—stopping under each bunk to call out the name of a stop and the ubiquitous recorded warning that the doors are about to close: *"Ukoncete vystup a nastup, dvere se zaviraji."* Cases of physical violence also have been reported.

The Union of Military Youth (SVM), which seeks to represent conscripts as a labor union represents workers, drafted the antihazing plan. The program—dubbed *Sikane stop!* (Stop Hazing!)—calls for an ombudsman to convey complaints to senior officers.

The plan also focuses on organizing activities to fill soldiers' spare time, when hazing incidents usually occur. A hotline for recruits to report hazing is to be established.

Beginning April 1, the program will be tested by two units stationed in Moravia.

Capt. Milos Balaban, deputy chief of the public affairs section at the Defense Ministry, has long been monitoring the problem.

"One of the reasons [for hazing] is a lack of professional noncommissioned officers who would be able to eliminate such sociopathological behavior," Balaban explained. "The most tragic aspect is that those who were persecuted as young soldiers ... persecute new conscripts themselves. It is a web of various rituals that are refined to monstrous perfection."

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In many cases, Balaban said, fear of hazing drives young men from compulsory one-year military service to the alternative, an 18-month civil-service stint. He said the military's plan to eliminate harassment is vital, but that assuring the public that hazing will not be tolerated is not his priority.

"Hazing is a criminal offense. It does not make any sense to publicize a campaign against it because it is already covered by the law," Balaban said. "It is the commanders' duty to ensure the following of Army rules and orders."

The chairman of the Union of Military Youth, Cpl. Miroslav Mejdr, said the program's goal is to bridge the gap between conscript soldiers and professional officers.

"Half of the young men who go to serve in the Army are afraid of hazing," Mejdr said. "[It used to be that] when it was proven that a soldier was harassing a colleague, the victim was usually sent to serve in a different unit. Soldiers in the new barracks would soon find out...and his situation often would get even worse."

Balaban said that, statistically, hazing represents only a small portion of the criminal offenses committed by soldiers. "But it is important to see how dangerous such behavior is," he added. "Both sides will carry the consequences their whole lives. Hazing is a complete degradation of human behavior."

Petr, a private from a unit in Prague who requested anonymity, said he has been the victim of hazing. He also said he hadn't heard about the *Sikane stop!* program. It will not help, he said.

"The only way to cut it out is for the soldiers themselves to say 'No more!'" he said, adding that his platoon has resolved not to harass new recruits. "I know what it was like for me. Why should I do it to someone else?"

Long-Term Impact of Foreign Investments Examined

95CH0174A Prague NOVA PRITOMNOST in Czech No 1, 1995 pp 16-17

[Article by George Truitt: "Family Silver"]

[FBIS Translated Text] By the end of the year, Volkswagen GmbH will own more than 50 percent of the shares of the Mlada Boleslav Skoda Works. Is it right?

Trade unionists do not like it very much. The new partners are introducing novelties, such as integration of suppliers (cheaper) directly into the plant in place of employees (more expensive). And what about the past purchase of Rakony by the U.S. firm Procter & Gamble, or of the Prague Cokoladovny [Chocolate Factory] by the Swiss firm Nestlé? Isn't the family silver being sold off?

Opinions differ. In a Smichov tavern the other day the voice of the people assessed it this way: We do not need any foreign capitalists, we shall do it ourselves. The next day, a Czech economist gave a lecture in the lecture hall of the Charles University in Celetna Street, and said: The ability of the Czech industry to be competitive on the world markets depends on its modernization. Without the influx of foreign capital, the process will be slow and unsatisfactory.

There is substantiation for both views. On the one hand, the success of the Czech economy will depend on the entrepreneurial spirit, knowledge, and efforts of Czech employees and managers. On the other hand, it is given by the size of the country that it cannot succeed by autarky. It must export to big markets. For export to succeed, it is necessary to offer high quality and low prices. That means, above all, investment in machinery and equipment. But that is only the beginning. The success of export also depends on marketing. The U.S. firm Gerber Foods, which manufactures and distributes baby foods, has 2,000 business representatives in the entire country, and they have close links to retailers. An independent foreign exporter would be hard put to compete with this. It is better to join.

Another hurdle which has to be negotiated is research and development of products. An enterprise which has been congratulating itself far too long on inventing a profitable product is in for a surprise. Either somebody will produce it more cheaply or make it better, or it will be surpassed by a new product. The catch is, research and development costs a lot of money. To justify such expenses, it is necessary to count on the international market. That is, on capital and contacts.

But let's go back to the family silver. Gems such as the Budejovice Budvar and the Plzen Prazdroj attracted interested investors. However, negotiations about partnership with the U.S. firm Anheuser Busch and others did not succeed. The conditions of the foreign investors appeared to be unacceptable. Such a decision could have been the right one. Some give preference to insolvency. But the question intrudes: Thanks to the popularity of beer in the Czech lands, breweries make money anyway. Is it enough to be content with the domestic market? Something is already being exported, but the potential of Czech quality products is much greater. Where would the Swiss be, if bankers had worked just for themselves? Even before the war, Bata showed what can be done. However, he had domestic capital and weak competitors. Today the situation is more complicated.

Not everything that shines is silver. Here we are talking about Koprivnice Tatra and the Vitkovice Iron Works. So far, their enormous losses have not been successfully stemmed. In Tatra's case, not even by hiring managers from Chrysler. Of such enterprises, crowned with laurels of former glory but without any visible future, there are many. For example, the Sokolov brown coal mines. The talks between Skoda Plzen and Siemens did not succeed, either, but to erase its debts cost 1.8 billion korunas. And in the case of Aerovka, 1.2 billion. That, of course, has an impact on taxpayers.

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The ministers in the Czech Government are saying that the transformation of the Czech economy is already finished. They have something to be proud of, as far as macroeconomic policy is concerned. The budget is balanced, the exchange rate of the koruna fixed, there is balance-of-payments equilibrium, inflation is acceptable. The voucher privatization provided a start for the capital market. But at the level of enterprises the transformation is far from over. Too many are still operating in the old way. The National Property Fund still has only a 20-percent share. Moreover, the state has more than a one-third share of the banks' capital. Banks which head the investment funds are still renewing loans to loss-making enterprises in which they have a financial stake. The main interest is to not write off losses. The Consolidation Bank helped enterprises by taking over old irrecoverable claims, and computer clearing of inter-enterprise indebtedness solved a small part of that problem. But the unpleasant truth, which persists, is that many formally privatized enterprises have not adapted themselves to market economy. They still depend on subsidies and bank loans which they do not intend to repay. These problems remain swept under the carpet, same as the productivity of such firms' employees.

The law on bankruptcy, which went into force in April 1994, is still in force mainly on paper. That has the advantage that unemployment still remains at only 3 percent. From the standpoint of social peace (not to mention political peace), that is good. A sudden shock would be unacceptable. Hungary paid a high sociopolitical price for its attempted drastic correction by bankruptcy. But that rubbish under the carpet will not grant peace, and in time it will have to be swept out if the Czech Republic is not to lag behind in the world economy.

The most pressing problem is the fact that the continuing financing of loss-making enterprises and limited influx of foreign capital impoverish the capital market, on which the growth of new private enterprises depends so much. Restitutions and privatizations gave birth to a million new enterprises. Thanks to them, the republic registered already this year a 2-percent growth of GNP. By means of these enterprises, it can soon reach a growth of 4 percent, such as is the case in Poland. And if it opens its doors to foreign capital like Estonia did, it can easily reach a 6-percent growth of GNP. That would mean prosperity for everybody.

It is true that growth at all costs is not desirable. It is necessary to make clear what in fact should be done about the family silver. We distinguish these categories:

1) Well-established enterprises with a high comparative advantage (quality and price), which should grow by expanding vigorously into the world markets, if possible on the basis of domestic, but possibly also foreign, capital.

2) Prestigious, but loss-making enterprises, which must be gradually reorganized by applying the law on bankruptcy or by sale to anybody who can modernize them.

3) New enterprises which are in urgent need of capital and access to new technologies and markets, best in partnership with foreign firms which can offer them such advantages.

The decision about which family silver to keep and which to sell, will ultimately be based on considerations not only economic but also cultural. The Czechs and their republic must find a balanced formulation of a policy that would satisfy the needs of growth as well of as social peace, of integration into the world market as well as of preservation of values and traditions which form the identity of a nation. Radical imperatives of ideologies such as chauvinism and absolute liberalism will have to be set aside. For the solution to be appropriate, it will have to be dynamic but also integrally Czech, that is, conscious of the interests of all the strata of the nation.

Koruna Convertibility Step Closer to Realization

95CH0192A Prague PRAGUE POST in English 7 Mar 95 p 12

[Article by Julie Jette: "Government Takes First Step Toward a Convertible Crown"]

[FBIS Transcribed Text] The Czech government has announced it is taking the first step on the road to making the crown convertible, in accordance with certain International Monetary Fund (IMF) guidelines, by the end of 1995.

A new foreign-currency law proposed by Prime Minister Vaclav Klaus' government includes provisions for increasing the crown's convertibility.

Pavel Klima, deputy director general of international finance in the Finance Ministry, said that Klaus' announcement marked the first phase of extending convertibility. He estimated it will now take several months to develop the language of the law, which then must be passed by parliament.

Several liberalizations took effect earlier this year, before the announcement. The annual amount of money Czech citizens can freely change to take abroad was increased from 12,000 Kc to 100,000 Kc ($444 to $3,700) as of Jan. 1.

And since Feb. 1, Czech companies no longer have to seek government permission to make direct foreign investments, such as real estate purchases, in European Union countries.

Companies still need permission to invest in foreign securities markets—permission "that will probably be granted," Klima said.

Klaus specified several changes that would probably be included in the law now under discussion.

The law would likely lift restrictions on foreign-currency accounts in the Czech Republic and would allow citizens and businesses to hold accounts in banks outside the country.

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Czech businesses would be allowed to deposit hard currency in their foreign-currency accounts without offering the deposits to the Czech National Bank first.

The Czech National Bank would also be required to change crowns to foreign currency for foreign citizens, provided those citizens could prove they earned the crowns legally.

The government had indicated last November that the country's foreign-exchange policy would comply with Article 8 of the IMF treaty by the end of this year

Article 8 defines convertibility for current-account purposes. The current account is the side of a country's balance of payments on which payment for goods and services traded with other countries, as well as money changed by travelers, is recorded.

Officials from the Organization for Economic Cooperation and Development (OECD), an association of 25 of the world's largest industrial nations, said last year that progress toward crown convertibility was crucial to the Czech Republic's joining the organization.

Klima said of the government's proposals, "This is progress."

To Coincide With Joining EU

95CH0192B Prague PRAGUE POST in English 7 Mar 95 p 6

[Article by Lubomir Sedlak: "Klaus: The Strong Crown Requires No Manipulation"]

[FBIS Transcribed Text] With the Czech crown trading stronger than ever against the U.S. dollar, Prime Minister Vaclav Klaus is boasting that it is the strongest currency in the former East bloc—with little need for revaluation or devaluation.

In an address to a business forum at Prague's Zofin center, Klaus exulted in the fact that the Czech crown—which is tied to the values of the U.S. dollar and the German mark—has not been revalued or devalued for more than four years.

"In reality, the crown is being revalued anyway as a result of the Czech Republic's inflation being higher than in the United States and Germany," Klaus said.

As recently as a year ago, the crown was trading at 30 to the dollar. But now, thanks to continuing weakness in the dollar, the exchange rate is below 27 Kc. Some economists say the purchasing power of the crown is actually around 10 Kc or 11 Kc to the dollar.

Because of the weakness of Western currencies, Klaus said he does not believe in revaluing the crown, especially since it may result in inflation. Klaus, in fact, does not rule out the possibility that the fixed rate of the crown—set at between 33 percent of the dollar and 66 percent of the mark—will be preserved until the Czech Republic joins the European Union.

In the other post-communist states, individual monetary changes usually remain in effect for a few months at the most. Hungary, for instance, which devalued its currency in December, appears headed for another devaluation within the next two months. The Czech crown was last devalued at the end of 1990. Since then, there have been changes in value.

Klaus said the midterm goal of his government is to reduce the 10 percent Czech inflation rate to the average level of Western European nations—that is, around 3 percent—by the year 2000. The short-term aim is to cut that rate by between 1 and 2 percent a year.

Klaus' statements contrasted with the views of Czech National Bank Governor Josef Tosovsky, who warned a group of Western executives late last month that it will be much more difficult to cut inflation in the next few years than it has been so far. Tosovsky said he will be "only too glad" if 1995 inflation does not exceed 10 percent.

Klaus, on the other hand, took comfort from the growth in Czech inflation being slower than the inflation rate of the other countries that are going through the post-communist economic transition.

"We are probably the only ones among (post-communist countries) who still have bank notes—and even coins—of the same value that were in use 10 years ago," Klaus boasted. "Since 1989, we have in fact added only one bank note with a higher value"—the 5,000 Kc note introduced last year.

International Drug Conference Planned for Fall

95CH0168A Prague CESKY TYDENIK in Czech 13 Feb 95 p 22

[Article by Jiri Petris: "CR Joins International Antidrug Efforts"]

[FBIS Translated Text] *An interdepartmental antidrug commission has been in existence for two years. The impetus to its establishment was provided by the Agreement on Cooperation for the Protection Against Narcotic and Psychotropic Substances, which was signed on 3 March 1993.*

On the basis of the analysis and work procedures of the commission and the recommendations of several committees of the House of Deputies of the Czech Republic [CR], the chairman of the commission and Minister of Interior Jan Ruml submitted to the government a draft measure designed to raise and define more precisely the status of the commission in implementing and coordinating the antidrug policy of the CR government. The government approved the measure in its resolution of 13 July 1994. This systemic measure places the commission on a ministerial level. In addition to Ruml, the members of the commission are the ministers of health, labor and social affairs, education, youth and physical education, foreign affairs, finance, defense, justice, and industry

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and commerce. The mentioned facts make it possible, as Ruml said, to discuss and solve the drug problem at the level of ministers of the CR government, as well as on the level of the delegated officials of individual departments and the commission's experts. The minister of interior emphasized the importance of the commission at a time when our country is changing from a transit country to a target country, when the use of drugs is on the rise, the people coming into first contact with these substances are getting younger, and drug-related crime is increasing. Coordinating the activities of the executive bodies of the antidrug commission should be the role of its secretariat, headed by its Secretary General Pavel Bem. The main task of the commission in the immediate future will be to make an overall evaluation of antidrug efforts between 1993 and 1995, and to draft a program for 1996-98. The fact that by creating the commission CR also joined the international antidrug efforts will be evidenced by the Regional Conference on the Problem of Drugs in the fall, to be attended by representatives from CR, the Slovak Republic, Poland, Hungary, Austria, Germany, and Slovenia. According to Ruml, its goal is to make antidrug efforts more effective in the area of control as well as prevention and treatment.

Pavel Bem said that despite the fact that drug use in our republic is increasing, we cannot talk about the prophesied surge in drug use. This is evidenced by the fact that some problems connected with drug use (for example, transmission of HIV among intravenous drug users) are small in comparison to those abroad. Bem stressed the need for a comprehensive preventive action against drugs. In his view, it is not enough to forbid children to use drugs and point out how dangerous they are, because experience tells us that some individuals react in exactly the opposite way to such information and will make an effort to experiment with drugs. In dealing with the problem of prevention, as Pavel Bem pointed out, we cannot overlook alcohol and nicotine, because they, not marijuana, are the drugs that lead to other drugs.

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Schenk on Talks With Chinese Foreign Minister

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[FBIS Translated Excerpt] [Passage omitted] After his talks with Chinese Foreign Minister Qian Qichen, Slovak Foreign Minister Juraj Schenk granted an interview to Slovak radio.

[Begin recording] [Unidentified correspondent] Minister, your talks lasted for almost two hours. What did you discuss with the Chinese foreign minister?

[Schenk] Our talks were rather complex. We divided our problems into two big baskets—bilateral and international. As for bilateral issues, we agreed that on both sides there is a political will and interest in cooperation and that there are essentially no obstacles to this cooperation. We discussed the possible future contacts of our top officials. An invitation for me to visit China is confirmed. The Chinese vice premier will shortly extend an invitation to the president. The visit by Chinese premier to Slovakia is under consideration.

We devoted great attention to future economic cooperation, discussing the possibilities of extending the list of traded commodities as well as visits by trade missions and businessmen.

With regard to the second basket, we exchanged views on international politics. As for European security, our Chinese partner fully appreciated and voiced support to our efforts to get integrated with European structures. We also had a chance to exchange views on the situation in former Yugoslavia. The Chinese were also interested in the recently concluded Slovak-Hungarian treaty.

[Correspondent] Minister, have you discussed economic reforms under way in our two countries? China seems to implement a unique model of a socialist market economy. Do you think that some of their experiences could be of any interest to Slovakia?

[Schenk] Every country implements a specific model of transformation. Top put in differently, it is obvious that the Chinese model cannot be transferred into Slovak situation. Rather than transferring experience from China to Slovakia we have discussed Slovakia's offer to send experts to China. As long as we have discussed issues of this kind, it was discussing an exchange directed from Slovakia to China, not the other way round. [end recording]

Budapest: Headmaster Sacked for Not Speaking Slovak

LD0404115595 Budapest Kossuth Radio Network in Hungarian 1100 GMT 4 Apr 94

[FBIS Translated Text] Sandor Toth, headmaster of the Hungarian school of Rozsnyo [Roznava] in Slovakia, and Iren Arvai, the district's official in charge of nursery education, have been relieved of their posts. The unexpected dismissals have been explained by the fact that, in spite of a request by representatives of the Ministry of Education, they were not willing to speak in the Slovak language at the meeting of Hungarian teachers of Slovakia held in Rozsnyo during the weekend.

The dismissal has been explained by two laws, one of which is not in effect anymore and the other not yet in force. Parents and teachers are going to hold demonstrations this afternoon to express sympathy with the head teacher of the Hungarian school of Rozsnyo.

Official Discusses Czech Mochovce Offer

AU0304131595 Bratislava SLOVENSKA REPUBLIKA in Slovak 31 Mar 95 pp 1-2

[Interview with Imrich Szitas, director of the Economics Ministry's "Basic Industries" Department, by Ivan Krajcovic; place and date not given: "Temelin Will Be Completed for Dollars, Mochovce for Czech Korunas? Experts Are Studying Skoda Praha's Offer"]

[FBIS Translated Text] Bratislava—On 22 March, that is, at the 11th hour, the Czech Skoda Praha a.s. [shareholding company] submitted its own project for completing the Mochovce nuclear power station. Three different bids have thus entered the competition. The old project of the French state-owned Electricite de France (EdF) is offering to complete Mochovce with the help of a 1.42- million German mark [DM] loan from the European Bank for Reconstruction and Development (EBRD), the Russian project foresees investment of $150 million and the acquisition of resources by its own means [as published], and the latest project of Skoda Praha a.s. reckons on completing Mochovce with the help of Czech banks. At the same time, Skoda's bid is 30 percent lower than the EBRD's loan. We spoke to Imrich Szitas, director of the Basic Industries department at the Slovak Economics Ministry.

[Krajcovic] The latest offer from the Czech side surely requires a thorough examination. What steps has the Slovak Government taken since learning about this offer?

[Szitas] On Monday, 27 March, the Finance Ministry was assigned the task of drafting a detailed report for the Slovak Government. Experts started working on it on Tuesday morning and the report should be ready next week. Based on this report, the government will take specific steps. I realize that all kinds of questions are being asked abroad, by journalists, commercial attaches at embassies, and, in particular, by EdF, to which the Czech offer has come as a shock. It is, however, a lucrative project and, if it turns out to be feasible, we will have to assess it and regard it as one of the options for completing Mochovce.

[Krajcovic] What is the basic difference between the bids submitted by Skoda Praha a.s. and EdF? I do not

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suppose that the 30-percent saving will manifest itself in the standards of nuclear safety, which will remain the same as in the EdF project.

[Szitas] It goes without saying that the standard of the reactors' safety must not be affected by the lower volume of money. It is hard to specify the savings at this moment. The basic difference is, however, in the "management" chapter of the project, in which the French side requires DM210.7 million, while Skoda charges nothing at all. Other partial items add up to savings of approximately DM300 million. All that, and let me emphasize this, while preserving the original safety standards.

[Krajcovic] What are the snags of this seemingly lucrative offer?

[Szitas] We cannot fail to see that, in May or June, the Czech Republic itself is to sign a $317-million loan for the completion of the Temelin nuclear power station. According to information from banking experts, the Russian Federation, too, will be lent money, by the World Bank. The question is whether we can afford to borrow money from someone who is borrowing money himself. We have to carefully check all these facts so as not to destroy something that has been prepared for a long time. I am thinking of the EdF offer, to be financed through the EBRD. We have to approach this issue responsibly, although the price of DM1.42 billion is obviously exaggerated and will have to be whittled down [skresat]. Yet the fragility of Skoda Praha's project is evident. I am confident that we will complete the nuclear power station using the option that is the most advantageous for Slovakia and under terms that will be beneficial and not harmful.

Meciar Interviewed on HZDS Congress, Policy

AU0304190995 Bratislava SLOVENSKA REPUBLIKA (SLOVENSKO DO TOHO supplement) in Slovak 27 Mar 95 pp 1, 7

[Interview with HZDS Chairman Vladimir Meciar by Stanislav Haber in Bratislava on 26 March: "We Have Come From the People, We Must Serve the People; Postcongress Interview With Reelected HZDS Chairman Vladimir Meciar"]

[FBIS Translated Text] [Haber] The Movement for a Democratic Slovakia [HZDS] congress [held in Bratislava on 25-26 March] was expected to approve changes leading to the movement's transformation into a political party.

[Meciar] The HZDS has a specific position in Slovakia. It is a movement of the center and the only political entity in Slovakia capable of activating all people. Precisely this position of the HZDS produces permanent speculation—of those who would like to divide it for themselves because the space it occupies is too large. The others, on the other hand, insist that it must keep this position for the sake of Slovakia's stability, to prevent imbalance on one side or the other. Naturally, the movement is working in an environment that is changing and it is changing itself. In its statutes it has adopted gradual transition toward a party structure. At this congress, for example, changes have been adopted whereby resolutions of higher-level HZDS bodies are binding for lower bodies. We have also taken some steps to enhance internal discipline and responsibility among office holders. In other words, while we are working on a party structure, from the viewpoint of ideology we will remain a movement. Although the HZDS proceeds from Christian values, it does not have an ideological basis. Of course, religion is more than ideology, it is faith. The movement continues to proceed from the realization that it must address broader social groups because society is in a state of flux and the HZDS's quick crystallization without social support, which will still undergo transformation, would upset balance in the political system and could have a different effect. The question of an immediate transformation into a party therefore is not on the agenda, even though a gradual sequence of steps in that direction has been indicated and confirmed at the congress.

[Haber] It can thus be said that the movement remains broadly conceived.

[Meciar] Let us stop talking about a broadly conceived movement. There exist parties that have the support of 50 percent of the electorate and no one says that they are broadly conceived. Our left and right margins are defined by parties. Because of our position in the center, those who speak about a broadly conceived movement in reality speak about the miniaturization of parties. The development stage of the next three years will be one of integration and the formation of strong entities. I am convinced that, if Slovakia is to be a stable state, the optimal solution for it will be the model of two strong political parties, rather than the model of a large number of small unstable political entities without any significant support. Development is slowly beginning to head in that direction and we intend to shape it that way. It is therefore wrong to say that the HZDS is a broad spectrum movement; the HZDS will always seek the support of the majority of the population. There are various offers in the political spectrum of Slovakia but only our offer is the best.

[Haber] Is the system that you have in mind similar to the U.S. system of two alternating ruling entities?

[Meciar] Essentially, we have fallen victim to a fad that is promoted in Slovakia by parties that are insignificant at home but who scream that they are recognized abroad. When you go abroad, you find out that they are not all that recognized. Elections are won at home, not abroad, and also citizens' will manifests itself at home, and not abroad. To create a party structure similar to Western countries, we would have to have an analogous social base. We do not have it. Any attempt to transfer the Western mechanism to our conditions is therefore premature. This process will continue for some time and the

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political scene will continue to mature. I suppose that, four years from now, it will be generally legible and, after the next elections, it will gradually crystallize. The present situation, with 17 parties sitting in parliament, demonstrates that political work leading to unification is immensely complicated.

[Haber] How do congress delegates, who come from all over Slovakia, assess the movement's policy at the parliamentary and government level?

[Meciar] We have delegates ranging from workers, including unemployed ones, to the highest constitutional state representatives. This spectrum of views provides a realistic picture of developments in our country. The following main idea has been proclaimed at the congress: We have come from the people, and must serve the people, not only by big deeds but also by everyday ones. We must make people's lives easier where they are being devastated and harassed by red tape, disrespect, and so forth. A great deal is to be improved everywhere. It is necessary to maintain contact with the people and choose forms of work that will not separate and isolate us from the people. The movement must be open. The HZDS won the elections and assumed a substantial degree of responsibility for people's fates. Even though our coalition partners share in this responsibility, our position is dominant.

In this way, our program addresses the key strategic issues of Slovakia's development, such as changing the structure of the economy, the foreign policy orientation and the sequence of foreign policy steps, or the transformation of the entire social system, which will undergo big changes. Questions concerning our relations with other parties are also being discussed. Another issue that we must take into consideration is how to prevent a repetition of the situation of 1991 and 1994 [when parliament dismissed Meciar-led cabinets], which brought Slovakia nothing good, and how to stabilize the political system. To accomplish this, more than wishes are needed. Political culture and the rules under which constitutional bodies operate must be changed. These matters are being discussed as well, with a view to consolidating society. Questions of foreign policy, security structures, relations with Russia, the Central European region and, in particular, relations with Hungary are also very important. Via relations with Hungary we indirectly arrive at ethnic minority issues. A complex package of problems has thus been tabled here, which people approach in a highly competent and businesslike manner. Each proposal made at the congress has a rational core.

[Haber] Could you throw some more light on the spectrum of views existing within the movement? Not everyone in the HZDS has welcomed the signing of the basic treaty with Hungary.

[Meciar] Let me put it this way: The HZDS, with help from the Slovak National Party [SNS], assumed the decisive share of responsibility in the fight for sovereign Slovakia and against irredentists. This was not directed against citizens of other nationalities but against tendencies aimed at the destruction of territorial integrity. Many wounds, including personal ones, were suffered in this fight and there existed certain programs of carrying it on. All of a sudden, the order has come to halt this and change course. Such a change of course cannot be effected in a way that will meet with everyone's unanimous support. There are not many people in the HZDS who think that the treaty should not have been concluded. Quite the contrary. I want to point out that problems are not in the text of the treaty. The text of the treaty is good. Problems are in practical policy that could be implemented on the basis of the treaty. This policy has arrived at a boundary. It can move in the direction of passage of the language law, passage of the law on territorial arrangement, and the building of foundations for a bridge to solve internal problems that could not be resolved to date. But it can also lead to attempts to create a political situation such as existed in 1994, for example, when representatives pulling the strings behind the scenes were controlling the government and deciding on the passage of laws. In that case, a situation could arise in which the meaning of the treaty would be interpreted conversely than it was signed and negotiated. This is the gist of the danger, to which delegates who have been speaking here along those lines are drawing attention. Of course, signing the treaty was not easy even for me. I had to come to terms with many things, also internally, to weigh all the pros and cons, and to consider all the broader circumstances going beyond our internal Slovak situation. A matter is advantageous when the sum of advantages exceeds the sum of disadvantages. This treaty is advantageous.

[Haber] You mentioned that delegates of diverse social status, from unemployed up to high-level constitutional officials, attended the congress. Their perspectives of citizens' lives must have differed. How do you harmonize those different poles in the movement?

[Meciar] It is good that things are the way they are. Even the unemployed person's perspective of life is a realistic one and tells us how he sees things. Some instances of harassment that were mentioned here really are unnecessary. We are paying a price for the worldwide crisis, for the breakup of the economic bloc to which we once belonged, for the necessity of changes in the Slovak economy, for someone's decision that Slovakia should have no arms industry. This is how the structural crisis came about. Slovakia is overcoming this crisis. Even the people whose social standing is weaker have faith in the result. They have faith that the situation will improve, that the crisis will be of short duration, that it will not last forever. One delegate from among the unemployed who spoke here said that when his mother-in-law hears about gross domestic product, she thinks of something different than an economist does. Other delegates who spoke here said that, when they hear such global data, they have the good feeling that something is being done, even if they do not see and feel it themselves yet. The

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delegates brought pressure to bear upon the government and HZDS deputies not to forget the social aspect and to start addressing young families, young people, and pay heed to entrepreneurs. Each of these delegates represents a certain sample of people who are behind him.

[Haber] Try to express your opinion on the movement's immediate future.

[Meciar] First of all, let those who are waiting for the HZDS's breakup stop occupying themselves with this issue. They are wasting their energy. The movement has a realistic program that has found its way into the government program and it is beginning to formulate regional development programs and programs for specific problems, including changes in individual industries. All this is in a state of flux. Another matter is that changes will be made in state administration. Each community and district will have to agree how large it wants to be and how territorial units should be divided. The number of changes we are preparing for this year is large and the foundations for them are being laid today. The development of international relations could assume great intensity and Slovakia must be prepared that, from one month to the next, it will be confronted with serious questions and will have to decide either yes or no. It must be able to reply to those questions democratically.

[Haber] Could you assess the present period of government when the president, thanks to his right to obstruct the passage of laws, returns [to parliament] virtually all draft laws approved by the ruling coalition?

[Meciar] I am not going to comment on the president and on matters and events surrounding his person. Making a decision at the time of a coalition government requires broader consensus. It is a somewhat more complicated procedure [than at times of one-party government] but this coalition stabilizes the development trend. Disrupting the coalition would mean a change of orientation, which would be very dangerous and all coalition parties are well aware of this. For example, even if the budget in the social sphere is not such as to take us toward prosperity, an optimal variant has been chosen, in which the state gives as much as it can. Were it not for the influence of the Association of Workers of Slovakia, the budget would not have been passed. The protection of national interests is guaranteed not only by us, but also by the SNS, for which this is the number one priority. This coalition helps to maintain a balanced direction. Whenever a decision is made to the detriment of one wing of the coalition, it makes itself heard and helps to correct mistakes. The HZDS assesses maintaining the coalition's stability as the sole alternative today. The others have not shown to date that they are willing and prepared to cooperate. For the time being, they carry on by other means their previous trend toward confrontation, which is bad. But that's how it is.

Meciar To Present Utopian Socialism Program

95CH0169A Bratislava TREND in Slovak 15 Feb 95 p 24A

[Article by Jan Oravec, chairman of the F.A. Hayek Foundation in Bratislava: "The Government Is Coming With a New Program of Utopian Socialism—The Vladimir Meciar Government Is Not Offering To Create Generally Binding Regulations, but Their Modification in Accordance With the Interests of the Strongest Groups"]

[FBIS Translated Text] The program declaration of the Government of the Slovak Republic has been subject to intensive debate virtually since 10 January 1995, when it was approved at the cabinet meeting. Disregarding minor deviations in details, the opinion prevails that the goals set forth in this program document might be appropriately demanding, but are attainable. The creators of the program are, I believe, most frequently criticized for their overly rhetorical approach in creating it, for its extreme abstractness, and, thus, its lack of specificity, particularly where the methods for achieving the goals set forth are concerned.

The absence of specific methods for realization of the program goals is undoubtedly worthy of criticism. However, a debate oriented in this manner completely overlooks the problem which, in terms of its significance, is unequivocally greater than the above-mentioned aspects which have been criticized.

This is because the spirit of the program declaration, the implicit information at the disposal of the government regarding the method by which it wants to approach the solution of economic, social, and political problems, has been virtually unnoticed. And it is precisely the spirit of the program declaration—with the philosophy, or rather the theoretical platform, from which the specific approaches in solving specific problems are then derived—that is necessarily deserving of fundamental disapproval.

To call things by their proper name, such a broadly formulated declaration, which is in steep contradiction with whatever its authors think of it, is a step backward into the past. In its declaration, the government is raising false expectations which it cannot fulfill.

The government is coming out with an offer of an omnipotent state that wants to and is capable of solving all problems of the present period. The paternalistic tone, the approach of the state as a caring father, is clear in the program declaration. This fact can very easily be illustrated by using several examples from the language of the declaration: The government wants to pursue an offensive approach, to optimize, dynamize, eliminate, strengthen, accelerate, support, transform, restructure, remove, channel virtually every aspect of life.

In some places, this approach sounds almost grotesque: Although it can encourage some citizens, many others

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are horrified by the government promises that it will be the government which, through its policies, will not only see to a 5-percent growth in the domestic product, a 10-percent rate of unemployment, and 10-percent inflation, will hold the deficit of the state budget to a level of 3 percent of the domestic product, will provide a standard of living which is comparable with the rest of the world, but will also see to the "consolidation of scientific life," the "improvement and valorization of the environment in communities," will "improve the esthetics of the natural environment," will "minimize the opportunities for the development and spread of sociopathological manifestations," will "develop suitable forms for protecting society in global moral devastation," will not "tolerate any kinds of mental terrorism," will "support protection of the human dignity, personal honor, a good reputation, the privacy and name of citizens in the public information media," will "promote a comprehensive program of clean hands," will "stimulate the creation of programs aimed at utilizing free time," etc.

From this very brief listing, it is already clear that the government wants to actually use its policies to make incursions into all areas of the life of the citizenry. This virtually amounts to association with the Orwellian vision of society as expressed in the novel *1984*, in which the citizen—even in his private life—was under the permanent supervision of Big Brother. If the intended policies were to be realized as described in the program declaration, they would have woeful consequences in the economic, political, and social spheres.

The Economy

In conjunction with the intended interconnective policy and coupled with the promise not to increase the tax burden in the area of budgetary policy, the question arises as to how the latter is to be financed. The terse mention of the National Bank of Slovakia in this context sounds more than ominous: "The government will, therefore, initiatively support the transparency of the relationships and improvement of collaboration with the National Bank of Slovakia. It will perfect even the legislative framework governing these mutual relationships."

Although one could object that the National Bank of Slovakia is by law an institution which is independent of the government, and that this could be something which should scatter any kind of fears regarding the possible loss of this independence. The Slovak central bank is, today, actually formally independent of the government, but is dependent on parliament. If we realize that the composition of the government reflects the ratio of forces in parliament, and that this ratio is a changeable magnitude (something of which one can frequently become convinced through personal experience), then the independence of the National Bank of Slovakia does not appear to be such a once-and-for-all given constant, which is also signaled by the above-listed intention of the government pertaining to the National Bank of Slovakia.

There are many empirical studies which find a very close relationship between the independence of a central bank and inflation: the greater the degree of independence, the lower (as a rule) is the level of inflation and vice versa. This fact should be weighed by the government before it embarks on making the relationship with the National Bank of Slovakia "more transparent."

The highly important portion of the declaration, which speaks of prices, has become a manifesto for state intervention. And it is indicative that it is mostly this portion which is specifically confused. In one sentence, the government formally espouses continuation "in the gradual deregulation of prices," only to immediately deny this in subsequent sentences dealing with the "creation of regulatory rules," "the stricter applications of instruments of price regulation and control," and with the pledge to "resolve even some serious disproportions in the area of prices with feeling, but with consistency." And this can already be called "consistent economic policy"!

Moreover, price regulation never tends to solve the essence of the problem, something which can be documented by citing the topical example of the shortage of potatoes: By setting the maximum price (12 Slovak korunas per kilogram), given the general shortage of potatoes, even those potatoes which were offered in the market without state intervention disappeared from store shelves.

However, the virtual pearl in the declaration is the terse and unequivocal statement: "The economic system must assure any citizen who wants to work the opportunity of suitable employment," by which the government refused to take into account the existence of cyclical unemployment resulting from economic decline, which is described in every textbook of standard economics and is taken into account everywhere in the world even by leftist economists.

After that, it is no longer surprising that the government wants to "assure the convertibility of the currency," forgetting all the time that the Slovak koruna will be only convertible once the products of Slovak manufacturers are fully convertible—that is to say, as to quality and prices comparable with foreign qualities and prices and not just if someone would so wish.

Politics

The fact that the commitment of the state in the economy also has its political aspects cannot be debated away. The efficiency of government programs is reduced as a result of three serious defects:

- in many instances, actual proceeds are lower than expected and thus lower than had been promised at the time the project was initiated;
- costs are generally always higher in comparison with the original computations;

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- the quality of state administration, particularly following several politically motivated incidents of genocide in recent years, as well as the methods used to check on the quality of administration, conspires to reduce the prospects for success.

The government itself will surely do everything possible to strengthen the demand for this type of policy. In areas where the situation is improving, individual ministers will claim that this is so thanks to the magnanimous functioning of measures adopted by the government; where the situation worsens, the citizenry will be reassured that were it not for government measures the situation would be still worse. There is an entire series of arguments which speaks for the failure of this type of politics.

In the declaration itself, the government virtually floods the citizen with a poorly arranged quantity of concepts which were already approved in the past, which are currently in the process of being worked out, or are still only contemplated (transformation of the social sphere—just to be sure, for every okres, development of the human resources in the Slovak Republic, state family policy, state employment policy, labor market policy, management, dynamicizing and instituting a labor market, the prison system, a foreign trade policy, a transport and communications policy through the year 2000, development of agriculture, forestry, and water management through the year 2005, a regional policy, territorial development of the Slovak Republic, state environmental policy), the creation of agencies (to support advertising and marketing in Slovakia, agencies to cover the territory of the Slovak Republic with radio and television signals within the time frame of 1995-2000), and the creation of other institutions (to devise strategies for developing society and science, for information systems, for the development of small- and medium-size business activities), etc.

It is clear that, given this tangle, controllability, intelligibility, or transparentness find themselves in the position of a lovely slogan.

The danger of such a policy lies in the fact that the government is not coming up with an offer to create generally binding regulations, but rather an offer to modify them in accordance with the economic interests of the strongest interest groups. The government has sent a clear signal to farmers (through a promise of providing appropriate protection and support for domestic producers), to captains of Slovak industry (through a program of public investments and state orders), and to all who somehow feel the lack of support and protection for any reason. From the propaganda point of view, this offer is very precisely focused. There is no doubt that it will address all those for whom it is intended.

Tangentopoly—a state of bribery, has been the Italian experience in recent decades with the state extensively controlling the economy, with a system of state orders placed with the enterprise sector by political parties which has led to the intertwining of political power and economic interests and subsequently to corruption in public life to an unprecedented extent.

There is no need to entertain any illusions that signs of similar manifestations do not exist in Slovakia as well. The consistent realization of the program declaration would result in a systems creation of fertile ground for the introduction of the above-mentioned Italian practices into the life of Slovak society, it would create fertile ground for bribing state officials on a large scale, it would give rise to constantly new economic mafias with unprecedented influence on the political life, it would make possible, in brief, a Slovak tangentopoly.

From this viewpoint, the government's intention to prepare a "clean hands" program appears to be curious. This program is to support unbribability in state organs, although the government intends to use its policy to create downright ideal conditions for bribery at the same time.

In its program declaration, the government could have leaned toward one of two fundamental types of policy. One is the actual orientation toward the citizenry: This would involve the patient establishment of such rules for the economic and political system which would support healthy economic competitiveness of all of its entities, would act to eliminate unnecessary bureaucratic obstacles, would create room for creativity and initiative, would provide economic entities with the opportunity to maximize the profits based on their competitive advantages because they themselves know best what results in success in the long run for manufacturers (a more demanding environment, higher competitive pressure upon efficiency, greater competitiveness), and primarily provide support for citizens as consumers (greater opportunities for choice of goods and services, higher quality, lower prices).

The second road is orientation toward producers: Modification of regulations according to the needs of those whom the regulations are to control is always to the detriment of consumers. The granting of exceptions, the introduction of protective measures and other measures which are the inevitable consequence of such a policy virtually always lead to a "conspiracy" of manufacturers and those whom they are intended to control against the consumer, to "trading" in the political market (the transfer of state property to the ownership of those who are politically loyal, the creation of a "more favorable environment" in exchange for financial and political support). This gives rise to the tendency of government, based on direct economic interests on the part of parties which have material incentives, to dwell on overly many and overly small details like a politburo attempting to use countless decrees in an effort to direct every aspect of life in society—even down to the smallest.

It would seem from the program declaration that the government is unequivocally closer to the second road described.

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The Social State

Although the government formally distanced itself from state paternalism in the social sphere, it soon cast doubt on this intention by espousing the "redistribution of financial resources" in the interest of "arranging society with social justice" without defining in detail what it considers to be socially just and what the extent of the redistribution toward this end that it considers to be inevitable. In the program document of the government, there is not a single word about the costs and administrative demands involved in the systems prepared by the state to solve social problems.

"The state has the right to intervene...where social groups or business systems are too weak or are only developing and are, therefore, not yet capable of fulfilling their tasks. Such interventions, which are brought about by urgent tasks of the general welfare must, however, be subject to maximum time limitations so that the above-mentioned groups and systems would not be permanently deprived of their own authority and would, thus, not excessively extend the scope of state interventions. This would act to the detriment of both economic and also civic freedom. In recent years, we have witnessed a sizable expansion with respect to these interventions which has led, to a certain extent, to a new type of state, to a 'social state.'... Functional defects and shortcomings in a social state are based on an incorrect understanding of the role of the state.... A social state which intervenes directly and robs society of its responsibility brings about a loss in human energy and results in excessive growth of the state apparatus which is governed more by bureaucratic logic than by efforts to serve the citizens; immense increases in expenditures go hand in hand with this trend."

The above words were not pronounced by Milton Friedman or by any other monetarist or liberal economist, whose names are pronounced by the "court" economists of the government parties only with extreme self-denial, but they are a citation taken from the papal encyclical entitled "*Centesimus Annus*," issued in 1991 on the occasion of the centennial of yet another famous encyclical entitled "*Rerum Novarum*." In its program declaration, the government virtually espouses collaboration with the churches and utilization of inspirational stimuli gathered from the social teachings of the churches in support of the socioeconomic transformation of society. It is, thus, all the more necessary to bring the above-cited serious conclusions to the attention of the architects of the government program.

Slovakia Wants To Become Convinced Again Through Personal Experience of the Unrealistic Nature of Utopia

Every effort to develop an ideal society by controlling all spheres of its life according to some kind of preconceived plan has failed throughout human history and has, moreover, sent nations which were the objects of similar experiments down to the lower rungs of the ladder of economically developed nations. Only five years have gone by since the noisy failure of what turns out to be the most recent such experiment—in other words, very little time from the historical standpoint. There is every indication that Slovakia wants to again become personally convinced that such utopian conditions are not achievable.

The critical reactions which have been heard thus far (noted as far back as the introduction to this article) pertaining to the program package offered by the government are interesting and say a lot about the current status of the political spectrum. And thanks to these reactions, we can find at once that when it comes to the most substantial questions the views of individual political forces are far less polarized than it would seem at first glance when considering events in parliament.

The citizen who casts his vote in the elections to decide which political force should be realizing its program and who is not satisfied with the fact that the government will do everything, ranging from building highways through making the Vah River navigable, making the environment more esthetic, creating programs to govern free time, all the way to the spiritual renewal of society, virtually has no diametrically different alternative.

Among the opposition parliamentary parties, the SDL [Party of the Democratic Left] makes no secret of the fact that it regards some of the intentions declared in the program declaration of the government favorably and even claims to have authored them. The KDH [Christian Democratic Movement] in turn has its specific reasons why its rightist orientation is not quite as serious as it attempts to present it. The Democratic Union is still not overly well defined and, in view of its reserved nature, it is not even possible to expect any kind of more radical attitude in the future.

A search among the extraparliamentary parties brings similar results: Not even the Democratic Party, a merger of the former Democratic Party and the Conservative Democratic Party which was transformed from the former VPN [Public Against Violence]), is a sought-after entity.

The Slovak voter, who is not addressed by the programs of any of the above political parties, thus suffers as a consequence of the fact that the Slovak political scene (both the coalition scene and also the opposition scene) is expressly limping on one foot and is virtually only standing on its left foot. Thus, the voter continues to be condemned to waiting for such a political entity which would turn to the voters with a real opportunity for achieving a very decent standard of living (including housing, education, and social security) through a radically different program—one which is intelligible and attractive—a program which is aimed at minimizing the role of the state and of securing room for individual initiative in the economic, political, and also social sphere.

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[Box, p 24A]

The most important reasons why the current government declaration, which is coming up with a concept for a state which offers, to put it mildly, above-standard activities, should be sharply rejected are listed below:

- in the economics sphere, there is again a clear inclination toward state direction, based on the a priori lack of confidence of its authors in the private sector (the temporary halting of coupon privatization, the regulation of prices, relationships with the National Bank of Slovakia), which is not directly expressed in the declaration, but is clearly evident from its language;
- in the political sphere, the establishment of suitable conditions for the interlacing of politics with economics, with all of its serious consequences: the lack of transparency, the lack of controllability, increased corruption, brought about, among others, by a disinclination to continue coupon privatization, which is the relatively least degree of personal transfer of state property to private ownership;
- in the social sphere, a clear lack of preparedness to reform the social state with the goal of rationalizing its demanding administrative nature and relevant expenditures; the latent egalitarian tendencies which can, in their final consequences, lead only to equality in poverty, which impacts upon the weakest members of society who are least capable of defending themselves.

Schmoegnerova on HZDS, EU, Opposition

95CH0166A Prague ZEMEDELSKE NOVINY in Czech 15 Feb 95 pp 1, 12

[Interview with Brigita Schmoegnerova, SDL deputy and former deputy prime minister, by Marius Kopcsay; place and date not given: "The HZDS Is a Populist Party"]

[FBIS Translated Text] In March 1994, the Party of the Democratic Left (SDL) contributed its votes toward the recall of the cabinet of Prime Minister Vladimir Meciar and joined the so-called broad coalition of the Moravcik government. Questions raised by this step continue to resonate within the SDL to this day and that is why we began precisely from that period in our conversation with the Slovak parliamentary delegate for the SDL and former deputy prime minister of the Jozef Moravcik government, Brigita Schmoegnerova.

[Kopcsay] Madam delegate, when the Meciar HZDS [Movement for a Democratic Slovakia] was looking for partners it had perhaps the greatest interest in the SDL. This offer was made several times and even now essentially remains open. Nevertheless, your party did not accept it. Why do you not wish to join in a coalition with the HZDS?

[Schmoegnerova] I would group the reasons into two parts. On the one hand, they involve fundamentally differing views regarding the methods of asserting power. We had the opportunity to convince ourselves that the HZDS tends more toward governing in an undemocratic manner and it is likely that the current government coalition will be undertaking additional steps which will lead to changes in the political system and to strengthening the elements of an authoritarian regime. On the other hand, the second set of reasons has to do with the socioeconomic notions regarding developments in Slovakia. The HZDS makes use of social rhetoric and yet the actions of the first, second, and even third Meciar governments indicate that it is by far not a matter of asserting the interests of the majority of society. As an example, it is possible to list the privatization policy which was already being asserted by the previous Meciar government to the benefit of narrow interest groups, say, even under the heading of employee corporations. If we were to take a closer look at enterprises which were privatized in this manner, we would find that the majority of the securities generally ended up being held by two or three people from the management and that thousands of employees share the remaining 20 to 30 percent of the securities. None of this reflects our notions. I consider the HZDS to be a populist party which is pursuing the interests of nascent big industry.

[Kopcsay] If the HZDS were to abandon its notions on how to apply power, would agreement be possible? Did it not indicate a willingness to make concessions in regard to this question?

[Schmoegnerova] I did not participate in such negotiations, but I assume that the HZDS intention to change the political regime or the election law is irreversible and that it is likely not possible to expect concessions merely in order to bring about a coalition including our party.

[Kopcsay] In view of the situation in the parliament, what actual opportunities does the opposition have to counter the intentions about which you have spoken?

[Schmoegnerova] The opposition opportunities are limited, but it is important to remind society about what is being prepared within government circles, to arouse public opinion through use of a certain method so that the public would not be inclined to favor a bad solution. It is also necessary to seek allies among all democratic forces abroad.

[Kopcsay] Recently, association agreements were signed, on the basis of which Slovakia is associating with the EU. That organization would likely find it difficult to accept any kind of trend working to the detriment of democracy...

[Schmoegnerova] ...I am convinced that in justified cases the European Union would certainly protest very emphatically. We had the opportunity of seeing this happen in the example of the demarche which, although it was being trivialized here, nevertheless expressed the deep dissatisfaction of the European Union with what was going on during the early sessions of parliament. I

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believe that by connecting all internal and external forces the risk of extremely unfavorable developments in the Slovak Republic could be successfully prevented.

[Kopcsay] Your party was part of the Moravcik broad government coalition. There, you collaborated with completely differing political groupings—and within the framework of the opposition you are even now collaborating with them. What is it that actually connects you with the rightist Christian Democratic Movement [KDH] of Carnogursky?

[Schmoegnerova] In the given situation, we are united by concerns regarding the internal political developments. The KDH is a rightist entity and also protects the interests of other groups of citizens as we do, but even within the government we were capable of coming to agreements pragmatically.

[Kopcsay] Do you not have the feeling that collaboration with these partners cost you part of your followers?

[Schmoegnerova] It is possible that part of our voter base had a difficult time coming to terms with the entry of the SDL into the government of the broad coalition, despite the fact that polls indicated that our sympathizers were gradually beginning to accept the KDH more than the HZDS. It is also our mistake that we were unable to provide adequate explanations for this step.

[Kopcsay] In view of today's not overly encouraging reality, are you able to visualize a Slovakia in the long-term perspective as a country where the principles of a state of law are not subordinated to party interests, where a market economy is functioning, as a country which is a full member of European structures?

[Schmoegnerova] In view of the fact that in the past "first" five years Slovakia established certain unfavorable trends, both on the political side and also in the economy, the transition period will last longer than it actually could be. But development cannot be halted. In fact, there exist prerequisites for Slovakia to become a democratic and prosperous state.

Controversial Decision on Carpathian Euroregion

95CH0166B Prague HOSPODARSKE NOVINY in Czech 10 Feb 95 p 4

[Article by ci, ctk: "Is the Carpathian Euroregion in Conflict With the Interests of Slovakia or Not?"]

[FBIS Translated Text] Kosice (ci, ctk)—As we have already informed the readers, the government cabinet of Vladimir Meciar adopted a resolution on 7 February which will demand the unconditional invalidation of the membership of Slovak okreses in the Carpathian Euroregion, which was a decision made by the International Council for the Euroregion on the basis of applications submitted by these okreses on 29 January.

As is known, the constituent declaration of the Euroregion, the goal of which is deepening of collaboration among near-border regions of Poland, Ukraine, Romania, Hungary, and Slovakia, was signed in February 1993 at Debrecen by the ministers of foreign affairs for Poland, Hungary, and Ukraine, with the participation of Catherine Lalumier, general secretary for the Council of Europe, which supported the project. The former Slovak colleague of these ministers, M. Knazko, had earlier announced that he was signing the document, but, at the behest of the government, which was headed by V. Meciar, in the end stepped back from attending the meeting and from signing the document. For this reason, Slovakia only acquired the status of an associate member. A paradox is that the first initiators of this project in 1992 turned out precisely to be the east Slovak okreses.

"I do not believe that our activities should be in conflict with the interests of the state. On the contrary, we believe that this will contribute to stabilizing our region," said the mayor of Medzilaborce, E. Ivanco, who is currently the chairman of the Slovak Council of the Carpathian Euroregion, which unites nine east Slovak okreses. He reacted this way to the declaration by Minister of Interior L. Hudek, according to whom the activities of the east Slovak okreses within the framework of the Euroregion do not reflect the interests of the Slovak Republic. "The Slovak Government has for an entire two-year period monitored our activities in the project and not once did it express any negative position to us. That is why we decided to apply for full membership," the mayor stressed.

"In incorporating the communities and organs of state administration into the Euroregion, procedures were used which ran counter to the valid legal code so that the decision regarding full membership for nine Slovak okreses is invalid," was the justification made by Minister L. Hudek on the other side of the government decision.

In conjunction with full membership for Slovakia in the Carpathian Euroregion, several advantages present themselves which are not negligible. In such a case, the headquarters of the General Secretariat of the Euroregion would move either to Bardejov or to Kosice. At the same time, the headquarters of the International Foundation of the Carpathian Euroregion should move from New York to Kosice. There is also a real chance that Kosice could become the seat of the Regional and Investment Bank of the Euroregion. Interest in assistance and participation in this regard was already expressed at the time of its establishment by the European Bank for Reconstruction and Development.

Debt Servicing Imposes Severe Cuts in Budget

95CH0146B Kosice DOMINO EFEKT in Slovak 19 Jan 95 p 6

[Article by Ivan Miklos: "Meciar's 'Insurance' and Luptak's Dilemma"]

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[FBIS Translated Text] In 1995, debt servicing—that is, paying off the principal and interest on debts which the state accumulated at home as well as abroad—will reach about 28 percent of the anticipated revenues of the state budget. This is a sharp increase from the previous year. Moravcik's government wanted to solve this problem by shifting roughly half of this sum onto the shoulders of the National Property Fund [FNM]. That would be possible in principle, but only under the condition that privatization is speeded up, especially sales to foreign buyers.

The dilemma of the new government therefore is whether it will accede to such a procedure and thus ease the burden on the expenditure side of the budget, or it will not accede to it, in which case the budget cuts will be deeper. Precisely because of the well-known objections by the Luptak people to budget cuts and the opposition of all three members of the coalition to quick privatization, I pointed out in my article in an issue of last year's DOMINO EFEKT that it will be interesting to observe how the governing coalition resolves this dilemma.

Surprisingly, it resolved it very quickly and resolutely. Simply, the entire burden of debt servicing in 1995 will be borne by the state budget. What does this solution tell us?

First of all, that the Movement for Democratic Slovakia [HZDS] (because it, especially, has obviously designed and is pushing this a solution) considers privatization a priority higher than all others. To put it more precisely—HZDS considers it important to prevent at any cost privatization that would benefit foreign investors. Even at the cost of drastic cuts in the already gagged budget expenditures. Sergej Kozlik does not even make any secret of it. For example, he explained the government's disapproval of having FNM responsible for part of the debt servicing by saying that "the government does not want to have lucrative enterprises sold off." To hear something like that from the mouth of the deputy prime minister and minister of finance rolled into one—given the present downright pitiful "flood" of foreign investments and the critical need for them to revive and restructure the Slovak economy—is a real experience not only for every economist but for every thinking layman as well.

One cannot assume that HZDS (or at least some of its officials in the highest positions) does not realize the political, economic, and social consequences of such an approach (i.e., shifting the entire burden of servicing the debt to the state budget). If they nevertheless undertake such a risk, it proves only one thing: gaining economic power by distributing assets to their fellow party members is more important to them than anything else.

The experience from February and March 1994 clearly pointed out to them a basic factor—lack of perception. They got away with the wild nocturnal privatization from that period. Even though its perpetrators were immediately forced to resign their positions of power (but not because for the wild privatization itself), and many uncontestable facts, numbers, and names were published, in spite of all that, nothing happened. The participants in the privatization plundering not only were not penalized, but some of the obviously dubious transactions, such as the sale of VSZ [East Slovakia Steel Mills] shares to the Manager company, were not invalidated.

And not only that. In spite of the specific published cases, they did not even suffer any indirect political penalty in the sense of being denounced by public opinion. On the contrary—what happened was something that remains for many paradoxical and incomprehensible. The popularity of HZDS and its members grew precisely at the time when almost all daily papers were publishing reports about their specific privatization wrongdoings. The wild privatization therefore did not result in any penalties for HZDS, in fact, it brought enormous profits which were subsequently used in the massive election campaign. In other words—the wild privatization did not have any dire consequences for HZDS, on the contrary, it was very worth while for its perpetrators. And that is probably the main reason why HZDS is resisting privatization for the benefit of foreign investors, and why it is willing to risk even considerable budget cuts with all their consequences.

How to judge the solution of the privatization-budget dilemma from the standpoint of Luptak and his association? The Association of Slovak Workers [ZRS], drunk with power and glory, probably does not even realize the consequences of the solution pushed by HZDS. The same goes for a substantial number of trade union bosses, who, after constant negotiations with government officials regularly praise on the uniformed Slovak Television news the government's accommodating attitude to their demands, while these place almost always considerable burdens on the expenditures of the state budget. Only Heaven knows if Luptak will ever grasp the fact that the supercuts are the consequence of covetous economic and power-seeking interests of HZDS. To comprehend this connection, one even does not need a high school certificate. And if Luptak withdraws his support, Meciar is threatened with what he fears most of all—his third fall from power.

If in spite of this, Meciar agreed to transfer the entire debt service to the state budget; he probably insured himself sufficiently against the political risks of economic and social consequences of that step. And this "insurance" is connected precisely with all the personnel changes which took place after the last elections in all spheres, including the media. For HZDS came to the conclusion that the only mistake it made before March 1994 was to be too soft, too tolerant, and to have much too liberal a concept of democracy.

But what it was that Meciar used to make sure of Luptak, that, for the time being, is very difficult to guess. Nevertheless, it is obvious that only two alternatives exist. Either Luptak will defend the cuts (at least indirectly), or Meciar will fall. Even though one of these possibilities would obviously be better for Slovakia, the other will at least be amusing.

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Keleti Views NATO Compatibility Issues

AU0304201195 Budapest HETI VILAGGAZDASAG in Hungarian 1 Apr 95 pp 47-48

[Interview with Defense Minister Gyorgy Keleti by Gyorgy Heimer; place and date not given: "We Cannot Turn Back on the Road to NATO"]

[FBIS Translated Text] NATO membership would considerably strengthen Hungary's security and it would at the same time create favorable financial conditions for the Army's urgent modernization, Defense Minister Gyorgy Keleti (49 years old) told HETI VILAGGAZDASAG in reply to why the government so strongly urges NATO membership. Keleti believes parliamentary control over the Army to be strong already, but he thinks that it will take time to establish a dominance of civilian employees in the ministry.

[Heimer] NATO Secretary General Willy Claes sees the key to NATO membership in general political conditions, military striking capability, standards linked to NATO's armament and command structure, and that the defense minister should be a civilian. Do you also consider these to be the most important conditions?

[Keleti] Claes's statement is certainly indicative, but the precise conditions for membership will be decided by the NATO summit at the end of 1995. A Defense Ministry program analysis in connection with the preparations defined similar goals to those of Claes—meaning that, in addition to the democratic changes, I too consider the issue of civilian control over the Army a key issue. Parliamentary control is already strong. We cannot even attend a foreign military exercise without parliamentary approval. It is also true that we have not really managed to establish the Defense Ministry's civilian basis in the past four years, partly because many of the civilians dealing with military policy are parliamentary deputies and partly because many more civilian employees have to be trained in the military educational establishments than before. It was a Hungarian peculiarity that everyone working for the ministry had to be dressed in uniforms. At the moment, 40 percent of the ministry's 240 employees are civilians. However, I would not like to make numbers all important.

[Heimer] You are referring to the fact that Karsten Voigt, chairman of the North Atlantic Assembly, spoke reprovingly on this issue during his visit to Budapest last week? Is it a more difficult task to establish the Hungarian Army's so-called NATO compatibility?

[Keleti] The government has already decided on having to come closer to NATO's particular standards and rules. However, establishing compatibility seems indeed to be the most complicated task. It is, of course, a mistake to believe that NATO demands that the Hungarian Army should only use U.S.-made machine guns, French guns, or Belgian hand grenades. NATO member-states apply a dozen different kinds of infantry weapons, and the Americans, the British, and the Germans all use domestically made armored vehicles. However, their ammunition sizes and the instruments of air traffic control and coordination between military and civilian flights are identical. We have already taken steps in connection with this and, out of our region's countries that are applying for membership, we were the first to set up the friend-or-foe recognition system that can be adjusted to the NATO equipment at any given time. The modernization plan of the country's air defense and radar control system will soon come before government. It is also an urgent task to set up the communications system between highest level military commands and to establish the conditions for less expensive cooperation in military staff activities [torzsmunka]. These are the three most important elements in reaching NATO compatibility. Unfortunately, due to the tight finances, we are still in the planning phase in the case of the first two, rather expensive programs.

[Heimer] Does this mean that with possibly making the Army compatible with NATO, the outdated technology can also be renewed?

[Keleti] The real value of the Army's budget has decreased by 58 percent since 1990. The military budget is 77 billion forints on paper, which is burdened by the 2.4 billion-forint costs left over from last year. The former government managed to survive by using up the military reserves. Therefore, they did not have to buy all new uniforms, and most of the fuel and ammunition needs were satisfied from the existing stocks. When I took over leadership at the ministry, I saw that we would immediately have to start refilling the depleted reserves. This is a very serious problem at the moment, and we can hardly make ends meet from our budget. We only spend 7 percent of the above amount on technology. This is essential to maintain our existing weapons' ability to function and to change, for example, the airplane engines, but it does not mean the purchase of new weapons.

[Heimer] If the Army's financial strength is so much reduced, then where do you see a chance for a turning point?

[Keleti] It might be a great help that we can buy new weapons for $300 million in exchange for the Russian debt to Hungary. Prime Minister Gyula Horn recently agreed on this in principle with Russian President Yeltsin in Moscow. From this money, we would modernize the armament of the land-based forces. We want to make rocket launchers and BTR-80 armored personnel carriers operational. It is still a question as to whether the Russian side is willing to supply rocket launchers in the framework of repaying the debts, because this weapon can also be sold for hard currency on the international markets. The delivery of the six-wheel BTRs is almost certain, and these will replace the old Raba-made vehicles that are expensive to run.

[Heimer] What about the cost of NATO membership?

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[Keleti] According to my calculation, in the first three years we will need 120-130 billion forints, but this does not mean that we immediately have to have our budget increased by this amount. At the moment, there is a glut on the weapons markets and it is possible to find deals with favorable conditions and delayed payments. In this way it is possible to establish the conditions for NATO compatibility.

[Heimer] Is it possible to spend only this amount on modernizing the Army's technology?

[Keleti] According to expert estimates, it would cost 1,500 billion forints to replace the Army's equipment, but even the United States would not be in a position to replace its armaments in one go. The Hungarian Army has several weapons systems that can still be kept operational for five to 10 years. However, it is true that I have not yet mentioned many areas where replacements are needed—for example in the case of airplanes.

[Heimer] It was recently announced in Washington that they would no longer block the sale of weapons representing the most modern technology to the Visegrad countries, and Poland has already announced that talks are being held on buying F-16 aircraft from Lockheed. What are your views on this?

[Keleti] I see these as gestures and a step toward extending NATO. We will also inquire about such purchasing possibilities, but I am sure that people in Washington know very well that the East European countries will not be fighting for these excellent but very expensive planes.

[Heimer] Will you arrive with a complete shopping list for William Perry in May?

[Keleti] I will take a draft bilateral secrecy protection agreement, because without this it is impossible to get precise information on the weapons we wish to buy. We also want to sign such secrecy protection agreements with Germany, France, and Sweden. I will probably thank Perry for the United States' having supported the development of the Hungarian military air traffic control with more than $6 million and for making it possible for Hungarian officers to study at U.S. military schools—and, according to our hopes, Hungarian soldiers will for the first time participate in military exercises on the territory of the United States, probably at U.S. expense.

[Heimer] The Swedish company Saab is said to be preparing to offer to accept Hungarian goods for Gripen combat aircraft and to set up production cooperation with Hungarian industrial plants. Can you see any point in such weapons modernization transactions?

[Keleti] We have not yet decided any purchases, but I think that the competition will make similar offers and we will have to choose the best ones through bids, based on the forthcoming law on public purchases. However, the important factor is that we have started on the road toward NATO, which will obviously require extra expenses. It is impossible to turn back from this road toward NATO because, if the country says no because of budget or other considerations, then it will lose its political credibility, and even European Union membership might become endangered. In addition, even in this case, it would not be possible to avoid modernizing the Army—but the military burdens would jump much higher without NATO and the Partnership for Peace.

Secret Services Minister Views Role

LD0304205495 Budapest Kossuth Radio Network in Hungarian 1630 GMT 3 Apr 95

[Interview with Minister Istvan Nikolits, head of the National Security Office, in Budapest on 3 April—recorded]

[FBIS Translated Excerpt] [Kert] [Passage omitted] To what extent do you think your new work will be similar to what we read in spy stories?

[Nikolits] I hope it will not resemble them at all. My task is to supervise the operation of the civilian secret services only, and to monitor observance of the law. I will not participate actively in that kind of activity.

[Kert] It is said that in Central or East Europe, people often dream about being chased. Then they wake up only to see that they are indeed being chased. How can you, as a minister in charge of the secret service, supervise the secret service where everything, as its name suggests, happens secretly.

[Nikolits] First of all I would like to say that I would like people who dream about being chased to wake up and realize that they are not being chased. We should seek not only to make this the accepted practice but something implanted in society too. However, this takes years, I think. This is a very bad habit.

[Kert] What is more, it is very difficult to change these habits at an organization like this because, by virtue of the aim of the organization, everything happens in secret. Thus, no major publicity can be given to the fact that things are taking place in order and under the conditions of a constitutional state.

[Nikolits] That is true. We do not want to give our work much publicity in the future either. If we did this, then the secret services as organizations would become incapable of functioning. This would be an enormous mistake, I think, especially now when we will have to face organized crime, which is employing increasingly refined and cunning methods of criminality.

Therefore, I can recommend only one remedy for this: the relevant committee of the parliament, as an elected body, should be given authority by the law on national security that warrants it to investigate cases and information reported by citizens on encroachment or nonobservance of the law.

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[Kert] How can a citizen be sure that he is not under observation, or as we said: not being chased. And how can you control the secret services? What guarantees are there that they are not hiding something, perhaps from you?

[Nikolits] There is no absolute guarantee for this. However, the structure and operation of the services comprise a network of human relationships. In an environment like this it is very difficult to keep certain things secret for a long time.

[Kert] An expert once said that for the secure and lawful operation of a secret service, three basic rules have to be observed: first, that only the minister in charge and a narrow group can give orders; second, that they can give only written orders; and third, those who receive the orders should have the right to demand to be given written orders only.

[Nikolits] That is true. If we look at the draft of the bill on national security—which has already been made public—all three principles are incorporated in it. Yes, each one of them may mean increased guarantees compared to direct control [kezi vezerles]. This is completely natural.

[Kert] Speaking about the bill, at your introductory briefing today you called the soonest possible adoption of the bill with the widest possible consensus your most important task. What chance do you see of this happening?

[Nikolits] I trust that this session will pass the bill. However, we still have to hold a number of internal consultations and formulate amendments. But I would like to do this with the full or the widest possible agreement of those concerned—basically in a six-party environment, so that less burden would be imposed on the plenary session of the parliament in this issue.

[Kert] Some say that overlaps between the scope of the police and of the civilian secret services may cause difficulties.

[Nikolits] If there are overlaps, they may. But I think these two organizations can complement each other's activity excellently. The tensions should be relaxed on both sides. It should be reinforced that they can perform very useful work built on each other.

[Kert] Do you think that any of the civilian secret services can obtain authority to conduct investigations?

[Nikolits] I am definitely against it.

[Kert] This is one of the points where the two organizations—that is the police and the secret services—could find themselves confronted with each other during action.

[Nikolits] I find this unacceptable because it rules out the possibility of democratic control. An organization which brings information to the surface should not be engaged in investigations. However, there are two sides to this coin. An organization with authority to conduct investigations should accept the scope of the information the secret services can provide.

[Kert] What difficulties has the lack of a national security law caused in the activity of the secret services? [passage omitted]

[Nikolits] Earlier we talked about citizens being angry when experiencing encroachments in their environment. The services are also upset if they find that the necessary discretion and peaceful conditions are not ensured for their work. This is a process that has effects on both sides. That is what the law will sort out.

The current regulation is insufficient. Were it sufficient and good, we would not need a new national security law. That is what we want to put fully to rights. I feel that the bill submitted to parliament—the ministerial presentation of which has already been delivered—provides an appropriate base for this. Obviously, it needs some further adjustment and refinement during the debate.

[Kert] In connection with the national security office, one of the most frequent topics in the press recently has been the issue of the black economy. It has been said that the secret services should also have a role in eliminating the black economy. This has frightened many.

[Nikolits] This is not a frightening question since these services have to carry out the same tasks as before. The same kind of information has to be provided. I feel that the secret services have their own role in the fight against the black economy.

[Kert] How can the secret services contribute to uncovering the black economy?

[Nikolits] Basically by gathering information.

[Kert] You are planning to set up a coordination organization.

[Nikolits] It is not only I who am making plans for it: its establishment is a necessity, since the activities of several state bodies interested in this fight are related to each other. In order to carry out their work effectively, the establishment of a coordinating organization with very great operative freedom is necessary.

[Kert] Who will be the members of this organization?

[Nikolits] Basically, those involved in crime-busting: the police, with the authority to conduct investigations; Customs and Excise; the tax office; and obviously the representative of the secret services.

[Kert] In recent days, a statement by your predecessor Bela Katona created a sensation in the press. He said that a bridge has been established between organized crime and politics. [passage omitted]

[Nikolits] I have no comment to make. As a politician I have not experienced this.

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[Kert] And as a minister?

[Nikolits] Being a minister since this morning, I have not had the chance to experience it. But as I said at the news conference this morning, I will try to gather the information which Bela Katona has at his disposal. [passage omitted]

Electricity Firm Signs Agreements With Kuwait

LD0304173395 Budapest Kossuth Radio Network in Hungarian 1600 GMT 3 Apr 95

[FBIS Translated Excerpt] Our special correspondent Gyorgy Onodi reports on President Arpad Goncz's visit to Kuwait, which has already brought some economic results.

[Onodi] [Passage omitted] As a result of President Goncz's talks with the Kuwaiti minister of electricity and water affairs, the Hungarian Transelectro electricity firm has signed two agreements: one to construct a substation; the other a deal worth $27 million to construct a transmission line. [passage omitted]

Greater Support for Ethnic Hungarians Asked

AU0304152295 Budapest UJ MAGYARORSZAG in Hungarian 31 Mar 95 pp 1, 7

[Interview with Laszlo Labody, chairman of the Office of Hungarians Beyond the Borders, by Eva Vasvari; place and date not given: "A Strong Middle Class Could Help"]

[FBIS Translated Text] [Vasvari] The Office of Hungarians Beyond the Borders [HTMH] has prepared a government proposal to modernize the system of support for Hungarian minorities living abroad and to create the New Handshake Public Foundation. What principles are involved in the concept of providing economic support?

[Labody] We regard the subsistence level and economic prosperity of ethnic Hungarians as decisive and we proceed from the premise that strengthening the civic society—and the middle class that is the essence of such a society—is the condition for the survival of ethnic minorities, and for preserving their identity. I emphasize the middle class here, and I repeat the accepted axiom that we can only speak of a middle class if this circle of people represents an adequate economic force. Naturally, in the case of our compatriots living beyond our borders, this can be measured by their specific living conditions, namely by whether or not they have a job and how they are prospering or what their quality of life is. On the basis of this and through its economic aid, the HTMH's goal is to give ethnic Hungarians concrete experience of the mother country's efforts to assert a middle-class existence.

[Vasvari] According to the HTMH, the office wants to help ethnic Hungarians make a living in their homeland. What channels can be used to implement this government intention?

[Labody] The essence of our concept is economic development through encouraging the market-economy processes. Given the fact that the economic activity in question takes place in the country where the ethnic minority lives, we envisage this aid primarily in the framework of cooperation between Hungary and the neighboring country in question. This aid, however, is aimed at the areas along the borders, areas inhabited by these ethnic Hungarians. It is also a basic concept that the economy is not welfare, charity service, or a national issue; instead, it is a profit-oriented interest. It is important to make it clear that there are no government funds for this. The Hungarian Government cannot, and does not want to, engage in business ventures; however, it regards as its task to create conditions for finding resources and mobilizing them. One of the extremity "poles" of this endeavor is the signing of international agreements that are exclusively in the authority of the government, like economic cooperation, border defense, elimination of double taxation, land transportation of goods, and other such agreements. Financing all this lies at the other pole of the government's role, albeit in an indirect way—namely by uncovering and mobilizing banking interests. Naturally, the government cannot completely exclude itself from financing. The recently created New Handshake Public Foundation receives its funds from the government budget, and it aims to strengthen the financial background of the economic ventures—not through loans but through obtaining partial ownership. In the long term, we can think of international investment funds or converting the compensation bills. Technically, the stock of financial instruments is quite extensive.

[Vasvari] It is well known that the feeling of solidarity has diminished. Have you experienced the necessary change of view—namely that helping ethnic Hungarians abeyond our borders is not simply helping the poor relative but also an investment that brings profit to Hungary and a means of regaining the Eastern markets?

[Labody] This issue can be approached from the aspect of profit-orientation. A businessman measures a venture according to expected profit, and not on the basis of emotions. This approach exists and is also the driving force behind building contacts. The economic cooperation of border regions is strong primarily among small ventures, and this can develop precisely on the basis of profit-orientation. I doubt, however, that the feeling of solidarity has diminished. I do not think this is true. However, the bitter everyday experiences and the consequences of black labor and crime cast a shadow on this noble feeling.

[Vasvari] Have the six months since the creation of your office been sufficient to speak of results in addition to tasks?

[Labody] We have had an opportunity to primarily follow the trends, although statistical data also show the results of our efforts. The existence of some 2,500 mixed

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ventures between Hungary and its neighbors provides ample evidence of this. Similar evidence is the amount of trade or the basic capital of these ventures, which today stands at $25 million. Naturally, one cannot disregard the role of general development and of our activity in the expected favorable trends. Time will clearly tell.

[Vasvari] What do you expect from the conference that opened yesterday, in which the border regions are participating?

[Labody] This conference is in harmony with the given process and is a part of the given strategy. Its goal is to inform and to obtain information, to achieve communication by exhanging views, and to make the information public. The review of views, opportunities, and contacts is a nonfinancial source that can nevertheless be well utilized in everyday economic management. I would like to hope that this conference will make us all richer and will bring us closer together with yet another step.

European Affairs Official Views Integration

AU0304135895 Budapest MAGYAR NEMZET in Hungarian 30 Mar 95 p 11

[Interview with Peter Gottfried, chairman of the European Affairs Office, by Gabor Lambert; place and date not given: "We Are Not Lagging Behind in Preparations"]

[FBIS Translated Text] We hope that Hungary can also be part of European integration by the turn of the century and, after next year's review conference, negotiations can start on full membership. Where are we in the preparation process? What issues are on the agenda? What tasks do we face? We asked Peter Gottfried these questions among other things. On 22 March, Peter Gottfried was appointed state secretary in charge of the European Affairs Office by President Arpad Goncz at the proposal of Prime Minister Gyula Horn. First we asked Peter Gottfried about the effects of the elimination of the Ministry of International Economic Relations [NGKM] and the Industry and Trade Ministry's new control over the European Affairs Office that was established in 1990 to prepare Hungary's economic integration.

[Gottfried] In principle, this does not mean any change, because our tasks remain the same regardless of the changes of ministry. The relevant government decisions stipulate that the European Integration Office has the task of ensuring the economic coordination of European integration and of representing Hungary in the Associate Committee. The only possible change is that, previously, there was a division of responsibility between the Foreign Ministry state secretary and the NGKM state secretary in the leadership of the interministerial committee. The new government decision put the foreign minister in charge of this committee, and the head of the European Affairs Office in charge of economic coordination.

[Lambert] Concretely, what belongs to your sphere of authority now?

[Gottfried] Our tasks can be divided into two areas: tasks connected with the implementation of the association agreement, including the relevant economic issues, and tasks connected with the economic components of preparations for joining the EU. The first group of tasks represents a precisely determined area stipulated by government decisions and involving deadlines, namely the implementation of obligations deriving from certain articles of the agreement, like the modification of the chapter dealing with agriculture, something that has become necessary in the wake of the international developments that have taken place since the agreement. (The EU community has grown, the world trade system has changed with the conclusion of the Uruguay meeting, and so on.)

[Lambert] Is this what some people interpreted as our desire to reexamine our association agreement with the EU?

[Gottfried] Yes, probably this is the cause of the misunderstandings, but everything that is happening here now is actually the renegotiation of the article on agriculture, something that has clearly become necessary because of the two new developments that have taken place in the meantime.

[Lambert] What are our chances in the course of these negotiations? Can we make favorable changes in the conditions negotiated previously?

[Gottfried] We want to ensure equal marketing conditions for each other. We had our first official talks in Brussels on 23 March, for which the EU delegation already had official authorization. In other words, we would like the new conditions in themselves to make previously negotiated conditions neither worse nor better. This is important because, irrespective of this, there are also opportunities for parallel talks at which, based on the documents adopted at the summit meeting in Essen, we would discuss improved conditions for the marketing of Hungarian goods. This does not just mean that we will demand larger quotas, but also that we will try to change the conditions that have prevented us from making better use of various preferences for our agricultural goods. Of course, some of the reasons are internal ones connected with the amount of goods. But we propose, for example, to change the quota distribution system to provide advantages to exporters, rather than importers. Our analyses show that, in certain cases, the condition for making use of the quotas is to get more preferential treatment than hitherto.

[Lambert] In your experience, is Brussels being more rigid toward our new demands then previously?

[Gottfried] No. I would point out that Brussels wants Hungary to make better use of the preferences. This is not simply a matter of political good will. The trade

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trends of the past three-four years show that, contrary to previous forecasts, exports of Central-European countries, including Hungary, to the EU have not increased considerably, whereas EU exports to this region have increased considerably. This is also why Brussels thinks that it is necessary to modify the trends.

[Lambert] What tasks are involved in the domestic preparation?

[Gottfried] One should think about this on three levels: the government level, the farmers' level, and the level of public opinion. Some of the government's tasks are of a macroeconomic nature. In other words, by the start of acceptance negotiations, Hungary must have reached a point at which conditions of predictable and steady economic growth are given. From this point of view, the recent stabilization program enables us to achieve this task in two years, when the EU is to decide on accepting us.

[Lambert] Does the program have elements that raise questions that might even need explaining in Brussels?

[Gottfried] There has not been any reaction from the EU that could be regarded as official. We informed them of the package and the introduction of addition import duties, and, according to certain unofficial signals and consultations, the planned measures seem to have met with understanding.

[Lambert] How is it possible that, although we examine how each of our economic laws conforms with European practice, we occasionally still have to explain our actions to Brussels, as was the case with the customs duties on agricultural products?

[Gottfried] This was not announced in the form of a law and it is not one of the laws that require harmonization. It is true, however, that there was a debate with the EU before and after this measure was decided. The debate emerged in connection with the interpretation of obligations included in the agreement, and not in connection with harmonization.

As for legal harmonization, the EU summit in Cannes in June 1995 will adopt a white paper based on the proposals of the committee. It will contain general proposals for the six countries awaiting admission on the most important regulations that Brussels believes they will have to include in their legal systems so as to integrate as soon as possible. The Hungarian Government would like to adopt a work program on assuming the EU internal market regulations in the near future, but we will review this in the fall on the basis of the white paper's proposals, which will have become known by that time.

[Lambert] In your view, how well is the Hungarian public informed today about what is involved in joining the EU?

[Gottfried] I think I find the approach realistic from this viewpoint, because joining the EU is the only realistic opportunity for Hungary from the security, political, and economic viewpoints, and this is also reflected in general public support. However, the support would be even stronger if the general level of public knowledge about EU issues improved and if the current debates in EU professional circles involved our professional circles too, debates about what kind of Europe it will be that we want to join.

[Lambert] If we proceed from the premise that we expect EU membership by the turn of the century, where do we stand now regarding preparation? Are preparations going according to plan?

[Gottfried] It is difficult to assess this objectively. However, if I look at the issues we have been discussing, I can say that on the whole the level of our preparation will enable us to do all we need to do before we join the EU. And not only join the EU, but also make sure that its results and effect are the best possible. There is much to do and we still need to make a big effort in the coming period. However, we are not in a situation that would make EU membership impossible at the given time. For example, one of the aims of our talks on internal market harmonization was to inform those who will formulate the committee's proposal about our current situation. After these talks, we received feedback that Hungary's performance can be regarded as good, also compared with the other countries awaiting admission.

[Lambert] How should we interpret the fact that, in the case of Cyprus and Malta, the EU has already set the date for negotiations to begin. Will this help or hinder our membership?

[Gottfried] I do not think that this will hinder our objective at all. Cyprus and Malta received a firm promise earlier than the Central European countries. The problems connected with the EU membership of the aforementioned two countries are slightly different from the issues of Eastern expansion. The deadline in their case might even have a favorable effect in the sense that the EU generally likes to accept several countries at the same time, so this might accelerate the evaluation of East European demands.

Foreign Investment Results for 1994 'Modest'

AU0304134295 Budapest FIGYELO in Hungarian 30 Mar 95 p 13

[Unattributed report: "Foreign Investment—Money Suppliers"]

[FBIS Translated Text] In 1994, foreign investment amounted to some $1.3 billion in Hungary. This is only a modest result because, after the half billion U.S. dollars in 1989 and $900 million in 1990, nearly $1.7 billion foreign working capital was registered in 1991 and 1992, and $2.5 billion in 1993. Most of the incoming capital in 1994 was cash and the value of material contributions was only 173 billion forints.

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Some 27 percent of the total 8.5 billion forints [currency as published] of foreign investment has come from the United States, 24.5 percent from Germany, 13.4 percent from Austria, 6.8 percent from France, and 4.8 percent each from Britain and Italy. The shares of the Netherlands, Japan, Belgium, Switzerland, and Sweden is also significant.

Some 57.5 percent of foreign investment went into industry, with a high share for engineering and food-processing within this category; 14 percent to telecommunications; 8.5 percent each to the financial and trade sectors; and 7 percent to the real estate, office, and hotel sector.

Disregarding companies with national chains, 48 percent of the investment went to Budapest and Pest County, 28 percent to Northern Transdanubia, and 10 percent to the Alfold [southeast Hungary].

In 1994, according to the Central Statistical Office, some 4,431 new, so-called green-field companies were formed with foreign participation, with their registered capital amounting, all together, to 42.2 billion forints, of which 31.9 billion forints was the foreign share (three-quarters of the basic capital). (An increasing share of foreign capital has been the trend for years now; in 1993, the basic capital registered in foreign currency was 70 percent of the 4,286 new joint ventures recorded by central statistics.)

Most (2,354) of the companies that were launched in 1994 are in trade and the number of companies in the processing industries is also relatively high (600). Comparing the basic capitals registered in foreign currency, the processing industry leads with 10.3 billion forints total basic capital, trade is second (5.7 billion forints), and the construction industry is third with 4.5 billion forints.

Looking at the investing countries in 1994, most companies were formed with capital from Germany (935), Austria (695), and China. As regards the size of the investment, France is in the lead (5.7 billion forints), a little ahead of Austria (5.6 billion forints) but way ahead of Germany (3.1 billion forints) and the United States (2.9 billion forints).

A summary prepared by Bertalan Diczhazi, deputy chairman of the State Property Agency's board of directors, contains the most important investments of the past few years, which amounted to at least $60 million. It is hardly surprising that the top of the list is taken up by mammoth telecommunications companies and car assembly multinationals. The companies on the list have brought some two-thirds of the $8.5 billion that has come in so far.

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Daily's Chief Editor Comments on Kuklinski Case

WS0304141895 Warsaw RZECZPOSPOLITA in Polish 1-2 Apr 95 p 5

[Commentary by Dariusz Fikus: "There Are No Easy Answers"]

[FBIS Translated Text] The case of Colonel Ryszard Jerzy Kuklinski is returning. We should be glad that satisfaction will finally be given to a soldier who informed the U.S. Government about military concepts, and primarily about preparations for the introduction of Martial Law in Poland. While doing all that, he risked his life, and did it for ideological reasons.

The extraordinary appeal against the final sentence has been lodged by the acting president of the Supreme Court. This proves that the basis for the appeal was a blatant violation of court proceedings, and that the motives guiding the officer were not clarified.

In the introduction to a book entitled *Bohater czy Zdrajca* [A Hero or a Traitor], devoted to Kuklinski, I wrote in 1992 that the issue should be analyzed mainly in moral terms; that Kuklinski is a tragic character, entangled in history, in which there are not and there will not be easy answers—at least for my generation.

In speaking about history, answering all doubts concerning his motives entails an attempt to answer the following question: What was Poland in the past 50 years of communist rule? Was it a fully sovereign state, but still a state? Or was it a nonsovereign state subordinated to the Soviet Union, a garrison protectorate, a "satellite country"?

Not only historians, but also the Polish people in general have differing opinions on this. Depending on the answer to this question, Kuklinski's activities looked either like heroism or treason. In an opinion poll conducted by Demoskop in 1992, 46 percent of adult Poles evaluated his decision as an act of treason; according to 16 percent, he acted like a patriot.

Kuklinski's case was used by rightist political parties in a rather cynical game. Unfortunately, even now one has reason to suspect that the election campaign determines the selection of one of the terms and not the other. This obscures the picture somewhat.

I am an advocate of resolving the Ryszard Kuklinski issue in an honorable and just manner. This is why Prime Minister Jozef Oleksy's statement that he has not adopted "an unequivocally positive stand" regarding the appeal has not escaped my attention. Also Justice Minister Jerzy Jaskiernia was exceptionally reserved in evaluating the decision of the Supreme Court president. He drew attention to the fact that up to that time there had been no grounds for filing an appeal, and that there should be a determination about whether or not new circumstances had appeared. In fact, one can hardly be surprised by this reserve. Both gentlemen belong to that part of society which, together with Generals Wojciech Jaruzelski, Kiszczak, Siwicki, and Mieczyslaw Rakowski, always treated Kuklinski like a traitor, as opposed to Jan Nowak-Jezioranski, Zbigniew Brzezinski, and virtually the entire Polish right wing, who presented him as a hero.

Will the Kuklinski case end favorably? I am unable to answer this question. This would be a moral satisfaction for him—a man who has experienced terrible personal tragedies.

Walesa Urges Russia To Reveal Truth About Katyn

LD0304193295 Warsaw TV Polonia Network in Polish 1706 GMT 3 Apr 95

[Address by Polish President Lech Walesa at a ceremony held in Warsaw marking the 55th anniversary of the Katyn massacres—live]

[FBIS Translated Excerpt] Citizens of the Third Republic! Today we honor the memory of those murdered in Katyn, Mednoye and Kharkov, Kozelsk, Ostashkov and Starobelsk. We are paying tribute to the thousands of Poles who were killed on inhuman territory because they were Poles, because they were faithful to the Polish Republic and the soldier's oath. [passage omitted]

This cruel crime was surrounded by the conspiracy of silence. We were not allowed to talk about it, to call a crime a crime, or to call its perpetrators murderers. Poland's communist authorities denied us the right to the truth and denied the victims the right to a symbolic grave. They did everything they could to erase it from national memory. But the Poles did not let themselves be cheated. We knew on whose order thousands of Polish officers were killed, what uniforms the executioners were wearing. We became victims of a soulless totalitarian system, an ideology where a man meant nothing. [passage omitted]

International public opinion surrendered to the might of the system. The tragedy of Katyn was known to other nations, the great powers of this world, the great three. But they remained silent. Nobody spoke on our behalf. To protect selfish interests, because of hypocrisy and cowardice, genocide and violation of human rights were allowed to happen. The faithful soldiers encountered deceitful international jackals.

When in 1992 I stood in front of the Katyn cross, I said: People of other nationalities, even Russians, do not understand why this place has such special significance to Poles. For there are other mass graves in this land. However, Katyn is a symbol of truth in mutual relations, a symbol of sincerity among states and nations. Only injustice can be built on lies, crimes and hatred. They divide societies and nations, destroy opportunities for agreement and cooperation, destroy trust.

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That is why it is so important to learn the entire truth about that event, so tragic for Poland and the nation. Because the future, on the neighborly and, broader, international scale can only be built on the foundation of truth about the past, and not on lies and silence. Katyn families deserve the truth about those murdered in the East to be revealed. All of us deserve the debts of history be settled.

The Katyn crime must be clarified, judged and punished. Justice and respect for the victims require this. We expect from our eastern neighbors that all the circumstances of the crimes committed on all Polish prisoners of war will be revealed. We expect sincere regret and genuine redress. The Polish Republic wants to coexist in peace with all countries, including Russia. However, before that we have to come to terms with our past and honestly settle our accounts involving the past. We have to cleanse Polish-Russian relations and base them on healthy foundations.

Both the Poles and the Russians need it. We need it so that we can overcome the sense of injustice, pain and humiliation which is still inside us. We have to come to terms with our great national tragedy. Our Russian neighbors need it so that they can confess their guilt and free themselves from the burden of the past which is overshadowing our present. For both our states and nations this will be a start on the road toward reconciliation and a future without lies and hatred, toward agreement and cooperation.

Katyn is a wound which needs healing in accordance with moral principles and the laws of civilized nations. This stone from the past, covered in blood, must be transformed into a solid foundation for mutual relations. [passage omitted]

Here, in front of the Tomb of the Unknown Soldier, we promise the nation that the Katyn issue will be carried through to the end, so that the documents hidden in archives can see the light of day, so that the victims of that hideous crime can be buried in dignity in Polish military cemeteries.

As president of the republic I bow my head to all those who died martyrs' deaths in the East. Once more let us bring back their joint memory. Let us pay tribute to the unbroken nation and its most faithful sons, to the unbowed patriots murdered on the inhuman territory. They will always remain in our hearts. Honored be their memory; may they rest in peace.

Zych Replies to Walesa Complaint About Kwasniewski

LD0304163195 Warsaw PAP in Polish 1151 GMT 3 Apr 95

[FBIS Translated Text] Warsaw, 3 Apr—Statements by Aleksander Kwasniewski during his recent visit to Germany were an "expression of his own opinion and that of the political group he leads," Sejm Speaker Jozef Zych informed President Lech Walesa today in reply to the president's earlier letter on this matter.

In a letter to the Sejm Speaker on 27 March, the president "considered intolerable" that a "deputy and leader of the largest parliamentary party" had commented on planned visits by the head of state without proper authorization from the president and from the foreign minister. He asked the speaker to explain on whose authority Kwasniewski commented on the issue of the president's participation in the Berlin ceremonies [marking Victory Day] in May of this year.

In a letter released to PAP today, the speaker informed the president that Kwasniewski was not visiting Germany as a Sejm representative. Zych talked to the Democratic Left Alliance [SLD] leader who presented the circumstances in which the statements were made, their content, and also the intentions which guided him while making these statements.

It has been unequivocally confirmed that Aleksander Kwasniewski visited Germany as leader of the Social Democracy of the Polish Republic [SdRP] and the SLD parliamentary floor group, and that the comments he made were an expression of his own assessments and those of the group he leads, the speaker wrote in the letter to the president.

Adam Strzembosz on Elections, Policies

WS0304123095 Warsaw TYGODNIK SOLIDARNOSC in Polish 31 Mar 95 p 3

[Interview with Professor Adam Strzembosz, candidate for president, by Jerzy Domagala; place and date not given: "I Will Run..."]

[FBIS Translated Text] [Domagala] Professor, you hesitated whether to run for president for a long time. What caused you to make that decision?

[Strzembosz] There is a huge group of people who feel that they are represented neither by the parliament, nor by the existing political parties. Many claim all is not well in Poland, and certain values are either pushed aside or have perished altogether. The isolation, and even escape from political life of this group is ominous. I believe that on "our" side of the political scene no one supported by this very niche of society can successfully run for the presidential office. That is why I made the decision to run, and it was not an easy decision.

[Domagala] For the time being, however, you only have the support of five relatively small parties: Ujazdowski's [Conservative Coalition], Hall's [Conservative Party], Kaczynski's [Center Accord], Janowski's [Polish Peasant Party-Peasant Accord], and Balazs' [Peasant Christian Party]...

[Strzembosz] I am not going to run as the candidate of any specific party or group of parties. I see the group of

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voters who would cast their votes for me as far larger. I am also counting on "Solidarity," with which I have such close ties.

[Domagala] But "Solidarity" has not taken a stance yet. Are you not coercing the union into making a decision before it forms one on its own...?

[Strzembosz] The lack of a declaration put me in a dubious and morally difficult situation, especially since representatives of groups with which I have regular contacts persuaded me to run. Besides, someone who is as relatively unknown to larger circles of society as I am needs time to make himself better known.

[Domagala] Are you also counting on support from other parties, for example the Freedom Union [UW], at some point?

[Strzembosz] I think UW's candidate will be Jacek Kuron. His constituency overlaps with mine only to a minor degree. Perhaps, at a later stage of the elections, UW right wingers and those who do not want to vote for Jacek Kuron for other reasons will lend me their support...? I am counting on that.

[Domagala] How will you encourage potential voters to vote for you?

[Strzembosz] I believe the Polish state should be modern, open to the future. Yet there should also be respect for tradition, national continuity and identity. We should preserve our national heritage and what has become a part of the European culture.

[Domagala] Modernness and tradition—can the two be combined?

[Strzembosz] These two elements make a perfect match. Europe does not need a mediocre Poland.

[Domagala] Does Poland need Europe?

[Strzembosz] Without any doubt. Yet entering the European structures—of course, not under conditions of a unilateral dictate, but on the basis of respect for the interests of both sides—we should bring certain values, important for the world, with us. After all, we still remember how greatly the West was fascinated with "Solidarity." There is a huge demand for new values, a need for a breakthrough in the impasse of morals in the West.

[Domagala] Do you think the current Constitution gives the president sufficient authority?

[Strzembosz] I do not think a new constitution will be passed before the elections. We must thus do with what we have. When the state functions normally—and that should be the rule—the small constitution gives the president sufficient instruments for mediation and exerting pressure on state affairs. In this sense he can be more efficient than, for example, the president of Germany. Yet in a situation of threat and the instability of state structures, the president should have more authority than he currently has.

[Domagala] We have a parliament and a coalition, and it seems they will survive. How do you envision future cooperation with them?

[Strzembosz] Cooperation is possible. I am not aggressive, I try to be a realist. I have no intention of taking rash action, such as changing the current system for example, without voter consent. I do believe, however, that all those political parties, supportive of the president and sharing his system of values, should concentrate around him.

[Domagala] A presidential political party?

[Strzembosz] No, rather a type of coalition united by a specific program, reaching far beyond the current division into political parties. The presidential campaign will certainly activate many communities and cause attitudes to crystallize. If the president were backed by such uniting groups he could implement not only a vision of the state, but also a specific package of system reforms. Such a program could gain wide support and succeed in the next parliamentary elections.

[Domagala] Do you think elections may be held earlier?

[Strzembosz] If someone from beyond the coalition or someone who would not consider any historical compromise was elected president, then—due to a clash with current social expectations—exerting pressure on the parliament could lead to its premature dissolution.

[Domagala] Let us assume you are president. The parliament, the coalition, the Constitution—are the same. Waldemar Pawlak is prime minister. He rules just as he did. What would you do as president? Would you tell his team: "you are not governing properly, you must step down," as it was stated and complied with?

[Strzembosz] It was complied with because the coalition was not uniform. Had that demand been contrary to the interests of the Democratic Left Alliance, the government would not have stayed intact. The fact that the demand was heeded did not bring much good, no basic change took place. Unfortunately, without well-defined, real political power the president is unable to influence the developments in the state in any way.

[Domagala] What do you think of Lech Walesa as president?

[Strzembosz] I do not want to make any judgments. I do not understand him. But this may be the fault of either the president himself, or my own lack of shrewdness.

[Domagala] What would your first move as president be?

[Strzembosz] A president who will not run for reelection—and I would not do that for obvious reasons—can afford not to be popular. He can thus fight for laws vital to this country's future that the political parties will not

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promote for fear of losing popularity. I would be ready to undertake the difficult task of supporting unpopular solutions that are absolutely necessary for Poland.

[Domagala] You mean reforms of the social security system, the healthcare system, education—everything that was impossible to carry out so far?

[Strzembosz] Yes. I would also include reprivatization, albeit on a limited scale, and universal enfranchisement. I am an advocate of dispersed proprietorship, and in this sense I feel strong ties with "Solidarity." Enfranchisement—which, of course, should not harm anyone—would allow citizens to feel the benefits of transformations that have taken place on the one hand, and contribute to the emergence of a middle class—proprietors or coproprietors—on the other. Without that there is no democracy. Democracy must be based on a true sense of freedom, on initiative, on resourcefulness. This school of thought is also very close to the social teachings of the Church.

[Domagala] Have we been unable to part with the People's Republic for five years? Do you think it is at all possible? What should we do in this regard?

[Strzembosz] Certain symbolic action could be taken. I do not believe that adults cannot be held responsible for their past. I am not thinking of criminal responsibility. But it is also impossible for anyone who played an important part in an authoritarian system to claim today that nothing has happened. That is demoralizing. Certain things have to be called by name, so that we know where we were and where we are. The fact that we failed to do so was one of the basic reasons for the results of the 19 September elections. It is also very important for young people to see what the People's Republic was like, for them to see the dangers of restoring the old system.

[Domagala] Do you have any slogan for your presidential campaign?

[Strzembosz] No, I do not. I wish to base it on the truth, on honesty with the voters, without demagogy or populism. I will not avoid talking about the difficulties that still lie in store. I wish to resort to the elementary principles of justice everyone is entitled to.

Poll: Oleksy Has Less Support Than Predecessors

WS0404112195 Warsaw RZECZPOSPOLITA in Polish 4 Apr 95 pp 1-2

[Article by E.Cz.: "Social Research Laboratory for RZECZPOSPOLITA; Coalition Electorate Believes in Oleksy Cabinet"]

[FBIS Translated Text] The people who believe that the Polish Peasant Party [PSL] and the Democratic Left Alliance [SLD] have a chance to remain in power until the end of the parliamentary term are primarily supporters of the two coalition parties. Moreover, these people, as well as supporters of the Union of Labor [UP], approve of the style in which Prime Minister Jozef Oleksy is performing in office. In his first month in office, his activities were approved by 38 percent of respondents to a poll conducted by the Social Research Laboratory [PBS] in Sopot.

The research conducted by PBS in mid-March indicates that over one-third of Poles believe that the SLD-PSL coalition will stay in power until the end of the parliamentary term, that is, until 1997. A month earlier, in mid-February, when President Lech Walesa threatened to dissolve parliament unless the cabinet changed, and when the coalition was going through its most acute crisis, only 30 percent of Poles thought that the coalition had a chance of survival. As many as 42 percent of Poles did not believe this. On 1 March the Sejm recalled the Pawlak cabinet and three days later a new prime minister of the same coalition—Jozef Oleksy—was appointed. The change in the post of the prime minister and of several ministerial posts put an end to the acute crisis in the coalition and averted the danger of dissolving parliament.

As a result, over just one month the number of people who are convinced that the coalition of SLD and PSL has a chance to survive until new parliamentary elections increased by 10 percent. These people primarily include respondents between 25 and 29 years of age, with higher and high-school education, with the lowest per capita family income; farm owners, public sector employees, unemployed people, private entrepreneurs, white-collar workers, as well as residents of rural areas and small towns. Most of them are supporters of SLD and PSL.

Those who do not believe that the coalition will survive are primarily people with higher-than-elementary education, with the highest per capita family income, cadres, employees of the trade sector, private entrepreneurs, and residents of towns and cities. Most of them are supporters of rightist parties, the 11 November Accord [P11L], the Nonparty Bloc in Support of Reforms, "Solidarity," and the Confederation for an Independent Poland.

In line with the PBS poll, after his first three weeks in office, Oleksy's style was approved by 38 percent of respondents (17 percent disagreed, and 45 percent did not express an opinion). His successor in office Waldemar Pawlak had greater support in the beginning—45 percent; however, as he left the Office of the Council of Ministers, only 18 percent of Poles accepted his style of performance as prime minister. As Jozef Oleksy assumed the office, his support was smaller than the support for all the other prime ministers who took office after 1989. This may result from the fact that he is running a cabinet that is largely made up of "old" ministers.

There is a relation between sociological characteristics of the respondents who believe that the coalition has a chance for survival and those who approve of Jozef Oleksy's style. Oleksy's style is accepted first of all by

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supporters of SLD, but also of PSL. In this case, evaluations made by PSL supporters differ from those made by advocates of SLD far more greatly than in the case of evaluating the coalition's chances of survival. Apparently, members and supporters of PSL find it difficult to resign themselves to the fact that peasant leader Waldemar Pawlak was recalled from the post of prime minister, and SLD contributed to this quite considerably. Voters of UP support Oleksy's style just as much as supporters of PSL do. This group includes first of all people with higher education, elderly people—over 59 years of age, the public sector, disabled pensioners and senior citizens, as well as private entrepreneurs, white-collar workers, those dealing with trade; inhabitants of small and medium-size towns and rural areas. Those who do not approve of Oleksy's style of performing in office are mainly people with primary and vocational education, unemployed people, senior citizens and disabled pensioners, cadres, and housewives. They include first of all supporters of such parties as P11L, the Freedom Union, and the Alliance for Poland.

Do you think the coalition will survive until the end of the term of the present parliament?

	Percent
Yes	40
No	34
Hard to tell	26

* * *

The research was conducted on 25-26 March 1995 on a representative 1,050-person sample of adult residents of Poland.

Commission Approves Clause on State-Church Relations

LD0404105295 Warsaw PAP in Polish 0942 GMT 4 Apr 95

[FBIS Translated Text] Warsaw, 4 Apr—Churches and religious communities have equal rights. The state authorities of the Polish Republic maintain impartiality on religious, outlook on life, and philosophical matters, guaranteeing the freedom of expressing them in public life. This is the version of the clause on state-church relations approved in today's vote by the National Assembly Constitutional Commission.

In accordance with the approved proposal, relations between the state and the Catholic Church are defined by an international agreement with the Holy See and Polish laws.

The commission had a choice of 12 proposals on this clause. Commission Chairman Aleksander Kwasniewski and his deputy, Stefan Pastuszka, earlier withdrew their motion. In addition, the motion by Zbigniew Siemiatkowski was withdrawn.

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Tinca: 14th Army Poses 'No Imminent Danger'

AU0304173295 Bucharest ADEVARUL in Romanian 31 Mar 95 p 2

[MEDIAFAX note: "The Nonwithdrawal of the 14th Army Is Not a Danger for Romania"]

[FBIS Translated Text] The further stationing of the 14th Army in Dniester is inconvenient but poses no imminent danger to Romania, Defense Minister Gheorghe Tinca said in Suceava. Tinca considered the choice of the population of that area of the Republic of Moldova, as it was expressed in a referendum, to have the Russian Army stay—despite the decision and will of the Chisinau Government—as running against the current of time. "The trend is for armies to withdraw, restructure, and modernize." However, for Minister Tinca the essential thing is that "the government of the Republic of Moldova has adopted a correct position in this matter, in agreement with developments on the European plane."

SRI Denies Having Received Recording

AU0304195395 Bucharest Radio Romania Network in Romanian 1900 GMT 3 Apr 95

[FBIS Translated Text] The press office of the Romanian Intelligence Service [SRI] has sent us the following statement referring to an article published in today's issue of the daily EVENIMENTUL ZILEI: Like the Romanian Ministries of Interior and Foreign Affairs, the SRI was verbally informed by the French Embassy in Bucharest about the existence and contents of an anonymous telephone message received by one of the embassy employees.

The tape with the recording of the message was not sent and is not in possession of the SRI.

The issues that emerge from the existence of the aforementioned message are under the attention of our specialized bodies, although the degree of credibility of the message is quite low, the SRI Press Office states.

'Irregularities' Delay Nuclear Plant Construction

AU0304201495 Bucharest ROMANIA LIBERA in Romanian 29 Mar 95 p 9

[Article by S.R. Rica: "The Actual Beginning of Operations—1997"]

[FBIS Translated Excerpt] The last persons to learn about the delays and the exceeding of the funds allotted to the [Cernavoda] nuclear plant were the industry minister and the prime minister. And how could delays in the restructuring of the national energy system be avoided if they started it by building roofs over two bus stops?

The Carousel of Technological Incorrectness

At the Cernavoda plant they had to replace the high-, medium-, and low-pressure pipes. Thousands of welds had been found lacking appropriate documentation. The pipes and the welds ought to have been sealed. Owing to this, thousands of meters of the pipeline circuit had to be replaced. The heavy water cannot be fed into the system to rinse it and run tests. The 400-kV transformer station too, which had been provided with poor-quality equipment, had to be entirely rebuilt. The experts also expressed their doubts about the heavy water produced at Halanga. We have been informed that they have elaborated a unique program for security repair work to be done at the nuclear plant site. Would, perhaps, the RENEL [Romanian Electricity Authority] offer it to the press, together with explanations as to the current stage reached in that work? Practically speaking, so far not a single drop of heavy water has been fed into the cooling circuits of the reactor. Neither do they have Vienna's approval for the reactor casing. As to the test run, it cannot be completed but within a year, considering that it takes eight to 12 months for the Canadians themselves to complete them. In case of the classic groups [grupurile clasice] there is the famous 72-hour test run, which in Romania has never been completed in less than 400 hours. Actually, the Cernavoda plant will not be rendered operational before 1997.

The Cadre Rotation

Everyone expected Ion Barbulescu to become the successor of Tiberiu Campureanu [vice president of the Nuclear Electricity Group]. It is true that 15 years ago Barbulescu, together with Cornel Cioara, was sent to the United States to specialize in the nuclear energy domain. Ever since then, however, neither has made any efforts to work in that field, too. No one knows how they managed, but they have not worked a single day in the nuclear energy branch. Aged 65, Mr. Barbulescu could have become RENEL vice president for nuclear energy issues, although despite his years of study in the United States, he has so far constantly refused to work in that domain.

Dr. Victor Romert, who has a degree in engineering, is considered a good specialist. He used to be deputy director general of the National Electricity Distribution Office [DEN] (DEN director generals are implicitly also RENEL chairmen.) Such an expert, at the age of 60, should have been left in his place at the head of the electricity distribution "brain." However, they want to offer Romert's post to Campureanu, who used to be responsible for the nuclear branch. The press was told that the demotion of the entire RENEL administration board was caused by irregularities in that sector. Nevertheless, what we actually witnessed was merely a "cadre rotation." Victor Vaida, director of RENEL, was put in the place of Vladimir Constantinescu, director general of the DGPEET [expansion unknown]. Why did they not send Vaida back to Turceni [thermoelectric plant], where he originally came from and where he would have had the possibility to deal with the reequiping and repair of the 330 MW electricity generator, for which he had been forgiven? They could have also sent Campureanu to Cernavoda, thus offering him the possibility to prove

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that he keeps his promises made to the government, and where he could display his expertise in the nuclear field gained during his frequent trips abroad.

If One Is a Poor Manager One Gets Promoted

The most serious irregularities at the RENEL occur in the domain of repair works (director is Haralambie Bejan.) Over 80 percent of the contracts for such work were given to various firms, without any tenders and without the approval of the Finance Ministry or the government. All the firms fight over such contracts because that is where they can make the highest profits. They begin work on several contracts at once, not one after the other. Normally, they should get the contract, do the work, and start a new one only after the previous one is completed. Even if RENEL were to be given new funds, the situation would continue to be critical. No one knows which work should be completed first, because too many works have been started. The money recklessly spent by RENEL comes from development taxes, as well as own sources earmarked for amortization. These funds have been given away by a few people, who are responsible for the disaster: Valeriu Bivol (director for investments), Haralambie Bejan (director for repairs), and Artemiu Vanca (director for the running of the system).

Following the revolution, the people at the RENEL Public Corporation said: Come, let's change something. That is when they brought in Director Emilian Dobrescu, whom they kept for only a year, after which they brought back the old director, Vladimir Constantinescu. After a year in office Gheorghe Nedelcu, who had come from Drobeta-Turnu Severin, was also replaced by Vasile Scarlat because Nedelcu had refused to join the clan of the RENELosaurs. Aside from the aforementioned cases no other leader was changed, not even at the medium level. All the former Communist Party activists could keep their leadership posts. Truth has been concealed ever since, because the people have remained the same. [passage omitted]

Italians To Help Build Nuclear Plant

AU0304132395 Bucharest EVENIMENTUL ZILEI in Romanian 31 Mar 95 p 16

[Article by Paolo Gianfelici: "A Nuclear Power Plant Will Be Built Next to the One in Cernavoda"]

[FBIS Translated Excerpt] The visit that President Ion Iliescu made to Italy concluded yesterday, 30 March, in Genoa, where he met with representatives of the firm Ansaldo, which supplied the security system at the Cernavoda nuclear power plant. Yesterday, a new accord was concluded that stipulates that the Italian firm will assist in the building of a new nuclear power plant in Romania, next to the existing one. [passage omitted]

During the final news conference, President Iliescu announced the imminent establishment of a Romanian-Italian Bank in Bucharest with the participation of the Banca di Roma, the most important bank in Italy.

Cluj Mayor's Office Receives Bomb Threat

AU0304201595 Bucharest Radio Romania Network in Romanian 1700 GMT 3 Apr 95

[FBIS Translated Text] At about 1300 today, the Cluj-Napoca Municipality Office of the Mayor received an anonymous phone call warning that an explosive charge placed inside that building was to go off at 1500 [1200 GMT].

Being alerted on the spot, the local police made the necessary preparations to investigate the case and avert a possible catastrophe, our correspondent Teodor Mateescu informs.

The investigations, which lasted for about three hours, led to the conclusion that it was a provocation call intended to generate public disorder and an artificial state of tension in that area and in the municipality.

According to our correspondent, on the basis of the voice conveying the message, the person who made the phone call is a female of between 30 and 45 years of age.

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Silajdzic: West Has 'Same Agenda as Pale'

AU0404103695 Belgrade NASA BORBA in Serbo-Croatian 1-2 Apr 95 p 5

[Interview with Bosnia-Herzegovina Prime Minister Haris Silajdzic by Zehrudin Isakovic; place and date not given: "Strategy of International Community Basically Overlaps With Strategy of Belgrade"]

[FBIS Translated Text] [Isakovic] What are the conditions of your government for extending the cease-fire, which is still at least officially in force in Bosnia-Herzegovina?

[Silajdzic] The acceptance of the Contact Group plan for Bosnia-Herzegovina.

[Isakovic] When the cease-fire expires, if it is not extended—and the chances are that it will not be—will a so-called spring offensive by the Bosnian Army ensue?

[Silajdzic] First of all, there can be no offensive on the territory of the Republic of Bosnia-Herzegovina by its legal army. Therefore, by definition all our operations are defensive and in self-defense. We have to continue to defend ourselves since the international community has obviously failed to persuade the Serbs to accept the plan. I am not much surprised by this because the international community has the same agenda as Pale, which is to freeze the so-called conflict, to preserve the status quo as Belgrade wants it. How can we accept peace being reached when the strategy of the international community overlaps with that of Belgrade? If the international community is not ready to intervene and will not let us defend ourselves, how can we expect any results? If the West has nothing to offer but to reward aggression, it is natural that it will continue.

[Isakovic] Can one define at the moment the war goals of the Bosnia-Herzegovina Government, that is, its Presidency?

[Silajdzic] If the aggression continues, then it is primarily to resist that aggression.

[Isakovic] However, if the Bosnian Army intends to liberate the territory that it considers to be under occupation, its strategy cannot continue to be passive.

[Silajdzic] Even if I really knew the overall strategy of the Bosnia-Herzegovina Army, I most certainly would not discuss it in public.

[Isakovic] Recently in Sarajevo there has been a debate about the ideologization of the Bosnia-Herzegovina Army. What is going on?

[Silajdzic] When it comes to ideology, what matters to me is whether our army is committed to defending Bosnia-Herzegovina, as this is its prime task. One often thinks about various religious insignia when referring to ideologization. That happens, as it happens in every army in the world, although there is a lot of manipulation of the facts. This is mostly the cas. of those who have never been believers now pretending that they are the most devout of all. I believe that this is quite normal under the circumstances. On the other hand, I notice that the Bosnia-Herzegovina Army is the least ideologized of all the armies in Bosnia-Herzegovina.

[Isakovic] How strong is the Bosnia-Herzegovina Army now?

[Silajdzic] Certainly much less strong than we would like it to be, and less strong than it needs to be, considering that we are under attack by the former Yugoslav Army, which has been arming for the last 50 years. Still, the Bosnia-Herzegovina Army is strong enough to defend us.

[Isakovic] The first anniversary of the Washington Agreement fell a few days ago. However, things do not seem to have moved at all. How would you define the problems?

[Silajdzic] A much greater political will is needed to move from words to deeds. We all know that we are in favor of the Federation; what remains to be seen now is whether we will pass the basic test: That the people return to their homes.

[Isakovic] One keeps hearing that there are differences in the interpretation of the Federal Constitution.

[Silajdzic] There are, which is why we needed an arbiter and now we have one. Therefore, everything is clear; we do not need any more meetings. If there are differences in interpretation, we have an arbiter to solve them.

[Isakovic] The interpretation of the Constitution and the agreement by the two sides in the Bosnia-Herzegovina Federation is largely clear. To which side is the United States, as the sponsor of the Federation, closer?

[Silajdzic] The United States was directly involved in the text of the Constitution and the entire project and it is certainly closer to the original interpretation, as am I. The text is clear and that is that. There is nothing unclear; everything is clear provided that we want to understand it.

[Isakovic] How do you interpret the fact that the greatest tensions in the Federation are occurring in places where relations between the Bosnia-Herzegovina Army and the Croatian Defense Council were relatively good even during the fiercest clashes, for example, the areas of Brcko and Usora?

[Silajdzic] It is clearly an attempt to establish certain illegal, so-called ethnic territories. The same was attempted earlier by force of arms, but it did not work. I do not know why they are trying to do the same thing again. It will not work. The question is whether anyone can outwit anyone else in a situation such as this. The thing is clear: The establishment of the Federation should be approached in the way we have agreed.

[Isakovic] As prime minister you are competent to say whether one can talk at the moment about the Bosnia-Herzegovina economy. What are its prospects?

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[Silajdzic] Although international humanitarian organizations are still largely feeding our population, our domestic production is on the rise, particularly this year. We hope that this year's harvest will yield good results. Many factories have restarted production and, all in all, things are looking better. However, the prospects depend on whether the international community will manage to persuade the Serbs to accept the plan.

Silajdzic To 'Continue Our Fight for Freedom'

BR0304130395 Madrid EL PAIS in Spanish 3 Apr 95 p 7

[Interview with Bosnian Prime Minister Haris Silajdzic by Angel Santa Cruz in Sarajevo; date not given: "Silajdzic: 'I Do Not Hope for Anything. Our People will Continue Trying to Survive'"]

[FBIS Translated Text] Haris Silajdzic has been head of the Bosnian Government for a year now. Previously he was foreign minister. He is 50 years old and belongs to the ruling Democratic Action Party [DAP]. His tiny anteroom, door 25a on the first floor of the prime minister's residence, is protected by a secretary and a dozing bodyguard. The prime minister looks very tired and what he has to say is pessimistic.

[Santa Cruz] The Federation with the Bosnian Croatians is not working, is it?

[Silajdzic] That is rather a strange way to ask a question. The Federation meant that we could stop fighting, and that is its greatest success. However, it did not get any further due to a lack of political will, mostly on the part of the Croatians. Mostar is a good example of this. I am not the only one who says so—the German administrator of the town appointed by the European Union, Hans Koschnick, says the same thing. We do not need agreement after agreement. What we need is political will.

[Santa Cruz] How are things on the battlefield?

[Silajdzic] We are resisting the agression being exerted by the Belgrade regime. However, the problem is political. The contact group made up of the United States, Russia, the United Kingdom, France, and Germany is in practice incapable of doing anything. Its strategy is containing the problem, whatever happens to the Bosnians. Belgrade wants the same thing, containment and immobility. No progress is being made because the Serb regime and the international community all have the same interests in Bosnia.

[Santa Cruz] What is your opinion of the meeting between your ambassador in Switzerland and President Milosevic after three years without dialogue?

[Silajdzic] It was important to know at first hand what Milosevic has to say, without intermediaries. However, unfortunately it would appear that President Milosevic is not prepared to accept the international community's proposal that he recognize Bosnia.

[Santa Cruz] How are relations between the two leading factions of the ruling party?

[Silajdzic] I think it is dangerous to paint things in black and white. From the outside people tend to see Bosnia as a series of contrasts and I think that the country deserves better. This is a complex society and there is no party or movement that can be viewed in that way, head-on. Of course there are different opinions.

[Santa Cruz] What do you expect will happen when the theoretical cease-fire ends in less than a month's time?

[Silajdzic] More of the same. The Serbian aggression will continue. The peace process will not improve, so I do not hope for anything. Our people will continue trying to survive. This is not a war, but an aggression and I think it will continue and there will be more genocide in Bosnia. Why? Because the international strategy is to try to legalize what has been obtained through force.

[Santa Cruz] The United Nations accuses the Bosnian Government of blocking and harassing the Blue Helmets.

[Silajdzic] They have to accuse someone. They are faced with serious difficulties and they cannot accuse the Serbs who hold them hostage. We do not do that, we play clean and according to the international rules. There are no longer two superpowers and we have to invent basic references and standards that we can live with.

[Santa Cruz] What do you think of the new mandate for the UN forces in the former Yugoslavia?

[Silajdzic] I have not yet examined it. We must be very careful. The old mandate is still valid and it is a mandate to keep the peace. There is no peace in Bosnia-Herzegovina and that is why we must judge the role of the United Nations.

[Santa Cruz] What about the arms embargo on Sarajevo? Do you think the United States will lift it?

[Silajdzic] I think it should, but I do not know if it wants to. It is not fair to impose an arms embargo on a country that is the victim of fascist aggression. No democratic government should do that. The people should rise up against this. However, the "establishment" seems prepared to sacrifice a little country. Has it helped bring about peace? No. It is illegal and immoral. The only result has been the death of innocent people. Why then still insist on this when three years have shown the embargo to be wrong. The governments involved are all accomplices to this.

[Santa Cruz] Can you see the war in Bosnia ending in the near future?

[Silajdzic] The Belgrade regime attacked Bosnia-Herzegovina and Croatia to increase its territory. The

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only thing we can expect now is that the international community can invent a way of saving face and recognizing and legalizing its gains. That is all. However, we have survived three years and we will continue our fight. We will continue our fight for freedom.

Filipovic on Milosevic, Recognition Issue

AU0404081595 Belgrade NASA BORBA in Serbo-Croatian 1-2 Apr 95 p 3

[FoNet-attributed report: "Milosevic Wants Negotiations"]

[FBIS Translated Text] Sarajevo—Muhamed Filipovic, Bosnia-Herzegovina's ambassador to Switzerland, said on Thursday [30 March] that his meeting with Serbian President Milosevic had come after a series of calls from Belgrade to Bosnia-Herzegovina President Alija Izetbegovic requesting talks aimed at finding a solution for peace in Bosnia.

"These calls from Belgrade to Sarajevo came through diplomatic channels, starting two months ago," Filipovic said at the news conference of the Liberal Bosniak Party, of which he is the chairman.

Filipovic said that his main task had been to see what concrete proposals Milosevic had in mind so as to find the answer to the basic question: "Does he really want peace or just the appearances of a peacemaker?" He explained that his visit had been arranged to ascertain Milosevic's real intentions.

According to Filipovic, the talks lasted about two and a half hours. He said that he had insisted that the talks concentrate on relations between Bosnia-Herzegovina and Serbia, on Serbia's recognition of Bosnia-Herzegovina, and the end to the war on the basis of the Contact Group plan.

At the same time, according to Filipovic, Milosevic came up with additional proposals concerning relations between the Srpska republic and the Bosnia-Herzegovina Federation and territorial delineation.

He added that Milosevic had repeatedly said that he wanted an agreement but, according to Filipovic, they could not even agree on basics during these talks. He said that he did not get the impression that Milosevic wanted the normalization of relations between Bosnia-Herzegovina and Serbia, but he thought that Milosevic wanted to reenter the negotiating process.

Filipovic would not say what the Serbian president was offering or demanding at the moment, adding that this was all part of the process.

He assessed that Milosevic was trying to get Karadzic back into the negotiations through the back door, since he was trying to blur both the issues of accepting the Contact Group plan and recognizing Bosnia.

Filipovic claimed that Milosevic, responding to his warning that Milosevic's statement on the acceptance of the Contact Group plan had brought him into conflict with Cosic, the Serbian Orthodox Church, and Karadzic, said that he did not attach much importance to any of them. Filipovic assessed his visit to Belgrade as successful since, he said, Milosevic's intentions were now much clearer to Sarajevo.

Speaking about Milosevic's personality, Filipovic assessed him as "a skillful politician, who turns aggressive when he wants to impose his views."

Although he himself admitted that he had had limited contacts in Belgrade since he had been taken to the residence straight from the aircraft and then back again, Filipovic said that everyone whom he had met had expressed great satisfaction with his visit, asking for something to be done.

"It is unbearable," Filipovic cited his Belgrade collocutors as saying.

Karadzic: World Must Recognize 'Republika Srpska'

LD0304132595 London THE INDEPENDENT in English 1 Apr 95 p 9

[Article on interview with Bosnian Serb leader Radovan Karadzic by Emma Daly in Pale; date of interview not given]

[FBIS Transcribed Text] Radovan Karadzic, deep-frozen in international isolation and feeling the heat of renewed government offensives, has insisted there can be no settlement in Bosnia-Herzegovina while the world insists on preserving the republic intact.

In an interview, the Bosnian Serb leader, his office swathed in the snow that has hindered his army's counter-attack in eastern Bosnia, admitted to inconclusive contacts with the Sarajevo government, and held out hope for a confederal link with Bosnia but only if his self-styled "republika Srpska" wins independence.

"There is some level of communication (with the Bosnian Government)," Mr. Karadzic said. "From time to time our lower officials meet and exchange some thoughts, but nothing substantial." He did not elaborate, but unofficial sources in Pale believe Nikola Koljevic [as published], a moderate in the administration, had talks with a senior Bosnian official two weeks ago.

"You imagine the possibility and necessity of talks between the two of us, but somebody has to tell (President Alija) Izetbegovic that he can't dominate over the Serbs," Mr Karadzic said during an hour-long interview with the Independent in Pale, the ski resort designated as "capital" by the Bosnian Serbs. He remains insistent that the world must recognise "republika Srpska" if it wants to see him at the negotiating table.

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"Only immediate recognition of the republic of Srpska would make the Muslims stop fighting," he said. With such recognition, explained Mr Karadzic, a former psychiatrist, "Mr Izetbegovic would have a good excuse to say to his own people: 'Well, I wanted all of Bosnia but those bloody Serbs are recognised and I can't have it all.'"

This is the very strategy pursued by the five-nation Contact Group vis a vis Mr. Karadzic: It is trying to persuade President Slobodan Milosevic of Serbia, erstwhile sponsor of the war, to recognise Bosnia-Herzegovina and Croatia within their current borders, thus weakening secessionist Serbs. It has not worked in Bosnia, nor will it, Mr Karadzic said. "Caligula recognised his own horse as a senator, but the horse was not a senator. Bosnia is not a state, no matter who recognises it."

But neither is "Srpska", as Mr Karadzic tacitly admits when discussing future territorial negotiations needed to make the entity viable. Among the suggestions unlikely to find favour across the front line is the idea that the government should trade the cities of Sarajevo and Tuzla for what the Serb leader described as "devastated country" in western Bosnia. But the exchange of the vulnerable eastern enclaves—Zepa, Srebrenica and Gorazde—for a swath of territory linking the capital to central Bosnia is more plausible.

"We don't want any connection with the Muslims, but in order to save the face of the international community, as a sovereign and independent state we can have some relations with neighbouring countries, Serbia, Croatia and Bosnia," he said. Does he mean confederal links, he was asked. "Something like that, just for the facesaving purpose," he replied.

The four-month cessation of hostilities agreement signed on New Year's Eve has collapsed, buried by the government offensives and by Pale's refusal to pursue political talks based on acceptance of the Contact Group plan.

The plan brings a map, partitioning Bosnia to the Serbs' detriment. The alternative, Mr Karadzic maintains, is a new plan: A peace treaty that would create two states and end the fighting, followed by an international conference to hammer out details of geography. "Let us first accept the constitutional arrangement that these two states are going to be independent, sovereign states, and that's it, no more war...just recognise the states and leave territory to be resolved at the international conference, and we will take care of the viability of two states, ours and the Muslims'. We can even promise we would not (demand) above 56 or 55 per cent."

As befits a poet of the Serbian epic tradition, albeit one who has not written a line since becoming a politician, Mr Karadzic has big dreams for Srpska. "We have to be an independent subject, because we have good plans for a free society, a market economy. We are going to blossom after the war, like Greek Cyprus, like Christian Cyprus," he explained. "If we are in a state with Muslims, forget it. You see the Turkish part of Cyprus, it's medieval."

The government side has long been the battlefield underdog; it would abandon the fight under Mr. Karadzic's new plan, he said, "because they have secured their own state and they have secured a good basis for negotiations". They would need no more guarantee of Serbian good faith, he claimed.

It is too early to see whether the Bosnian Army, rearmed, retrained and resurgent, has improved enough to wound its foe, but it has stolen some of Pale's thunder, forcing the international community to view Sarajevo as a threat as well as a nuisance. Mr. Karadzic once foretold, in verse, the flames that would raze Sarajevo. He must hope now that the fires laid by the Bosnian army melt the Contact Group's resolve before they scorch his land.

Abdic: Bihac Pocket To Fall in 'Matter of Days'

AU0304141695 Paris AFP in English 1319 GMT 3 Apr 95

[FBIS Transcribed Text] Knin, Croatia, April 3 (AFP)—Renegade Moslem leader Fikret Abdic said Monday it was only a matter of days before the Bihac pocket in the northwest of Bosnia was captured by Serb coalition forces.

"The west of Bosnia has split from (Bosnian president) Alija Izetbegovic's Islamist faction for good," said Abdic, who has allied with rebel Bosnian and Croatian Serbs against the Bosnian Government in Sarajevo.

"Electricity and water supplies have been turned back on in Velika Kladusa and everyone is taking part in the liberation of the southern part" of the Bihac pocket, he said in a Radio Velkaton broadcast monitored in Knin. Velika Kladusa is the small town in the north of the Bihac pocket where Abdic has set up his headquarters.

The pocket, including Bihac town, one of six UN-declared safe areas in Bosnia, has come under increased shelling in the last two weeks. Serb coalition forces Monday continued their attacks on government forces in the pocket around Velika Kladusa, UNPROFOR [UN Protection Force] military spokesman Major Herve Gourmelon said in Sarajevo.

Earlier in the day, Gourmelon said 15 artillery shells had slammed into Bihac safe area Sunday afternoon, eight inside the town and others around Sokolac, a suburb within the perimeter of the safe area.

SCC Delegation 'Received Warmly' in Serbia

AU0304171395 Sarajevo Radio Bosnia-Herzegovina Network in Serbo-Croatian 1400 GMT 3 Apr 95

[FBIS Translated Text] Today's news conference by the members of the Serbian Civic Council [SCC] delegation that returned from a visit to Belgrade, Novi Sad, and

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Podgorica was met with great interest by domestic and foreign correspondents. Stevo Latinovic reports about everything that could be heard at the news conference:

[Begin recording] The fact that, after the visit by Professor Dr. Muhamed Filipovic to Belgrade and his talks with Slobodan Milosevic, which had a state and political character, this was a visit by a nongovernment and nonpolitical organization provoked no lesser interest among the public.

Let us remember that the SCC was host to a group of intellectuals and public workers from Belgrade last year and that this was a sort of return visit. More than 40 talks and contacts on a very wide basis took place, ranging from civil associations, cultural institutions, the Serbian Orthodox Church, and political parties, to the top personalities who directly create and implement the official politics.

According to the introductory speaker, Bora Bjelobrk, the delegation was received cordially and warmly, not only by its hosts—last year's guests in Sarajevo—but everywhere it held talks. This could be expected of the free-thinking intellectuals and some opposition parties, however, coming from the assembly speaker and one of the leading men of Milosevic's ruling party, the surprise was all the greater.

The fundamental question to which correspondents expected an answer was whether this visit brought a ray of optimism. The members of the delegation, not wishing to be prophets, are unofficially, but also according to some official reactions, nevertheless inclined to be moderately optimistic. The proof of this is the conclusion that the split between Belgrade and Pale is real and definitive. Everything points to Belgrade's readiness to recognize Bosnia-Herzegovina within its internationally recognized borders. Another equally indicative statement by an opposition politician was: Serbia has neither the will nor the strength to continue the war. It is the latter that matters.

The talks in the Serbian Orthodox Church with Patriarch Pavle were also cordial, however, they bore no results. The Orthodox believers will continue to be without priests until some better times, as the patriarch said, and the time [words indistinct] is eternal, regardless of the fact that people are dying, being born, and living. [end recording]

Truck Convoy Moving From Serbia to Bihac

AU0304144595 Sarajevo Radio Bosnia-Herzegovina Network in Serbo-Croatian 1300 GMT 3 Apr 95

[FBIS Translated Text] The Information Service of the 2d Corps reports that the courageous fighters of the 2d Corps of the Army of the Republic of Bosnia-Herzegovina are successfully repelling the new attacks by the Serbian-Montenegrin aggressor and Karadzic's Serbs.

Since this morning, the chetniks from Majevica have been shelling civilian areas and the defense positions on the Gradacac, Lukavac, and Gracanica fronts.

In Posavina, in addition to the provocative enemy fire, a column of 44 trucks was seen moving from Serbia toward Bihac. The settlements of Jajici and Repuh, were there are two UNPROFOR [UN Protection Force] observation posts, were the target of the enemy artillery. According to the still unconfirmed reports, one soldier from the Nordic Battalion was wounded seriously. Obviously encouraged by the fact that NATO has not reacted to defend UN soldiers, the chetniks are trying to drive the observers away with shells and thus remove the witnesses to their crimes.

A statement issued by the 2d Corps states that, in addition to launching a new offensive, the Pale leadership has also initiated a new propaganda campaign, this time among their supporters in the occupied area of Zvornik. Despite the enormous losses in manpower and hardware, and having a large number of its men captured or surrendered to the fighters of the 2d Corps, the aggressor is trying to present all its failures on the Majevica battlefield as successes.

After a relatively quiet day yesterday, the chetniks this morning renewed attacks on the defense lines in the 7th Corps theater of operations. The aggressor is carrying out combined artillery-infantry attacks on the Turbe front. On the Bugojno front, there was sporadic shelling and small-arms fire.

There is no peace on the Vlasic part of the front either. There, the enemy is attacking our fighters' defense positions with mortars. The Information Service of the 1st Corps report that the aggressor is targeting Sedrenik with snipers from Spicasta Stijena, and Slatina and Pionirska Dolina from Kromolje. The enemy fired one grenade on the [words indistinct].

German Embassy: Serbs Admit Detaining Aid Worker

AU0304174395 Paris AFP in English 1711 GMT 3 Apr 95

[FBIS Transcribed Text] Sarajevo, April 3 (AFP)—Bosnian Serbs Monday acknowledged they were holding a German aid worker detained outside Sarajevo two days ago, the German Embassy said here.

Ludwig Kraus, 37, working for the German-Bosnian Association (Deutsche Bosnisch-Herzegovinische Gesellschaft), a humanitarian organisation, was held at Lukavica barracks, in the suburbs, after losing his way on leaving the besieged capital Saturday, according to a spokesman for the UN High Commissioner for Refugees (UNHCR) and to the German Embassy.

Sanda Condra, head of the association's office here, said Kraus was arrested hours after getting to Sarajevo on Saturday. He had crossed the airport, on his way to

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Tarcin, to help get an aid convoy into the city, but took a wrong turn and was seized by the Serbs at a checkpoint. This was the same checkpoint where five members of Pharmaciens sans frontieres (Pharmacists without borders), another humanitarian aid group, were arrested after losing their way on leaving town one month ago.

The association, which has been working in Bosnia for over a year, has its headquarters in Dortmund, Germany. It is currently involved in setting up a aid project to allow refugees here to make clothes for sale in Sarajevo and Germany, Condra said.

Serbs Seize 2 Swiss Citizens From Minibus

AU0304175995 Paris AFP in English 1732 GMT 3 Apr 95

[FBIS Transcribed Text] Sarajevo, April 3 (AFP)—Bosnian Serbs arrested two Swiss citizens Monday at a checkpoint between the airport and Sarajevo, the UN Protection Force [UNPROFOR] said.

The two were pulled from a UNPROFOR minibus at a Serb checkpoint and taken to Ilidza, a Serb-held surburb of the capital, UNPROFOR spokeswoman Captain Myriam Sochacki said.

The Swiss were named as Simon Gerber and Marie Wernle-Matic. The UN force said they were journalists, but in Switzerland Wernle's husband said the two were on a mission for a Swiss-Bosnian cultural exchange organization. The trip was sanctioned by UNESCO, said the husband, Tobias Wernle. His said his wife, a naturalized Swiss citizen born in Bosnia, was acting as interpreter for Gerber. The UN had said she had dual Swiss and Croatian nationality. The two are understood to have been accused of "anti-Serb activities."

A UN official who went to Ilidza was not allowed to see the detained journalists. The Swiss Government said it was in contact with the Bosnian Serbs and with the United Nations to obtain the two detainees' swift release.

Two journalists were recently arrested in separate incidents by the Serbs at the same checkpoint while travelling in UN vehicles. Namik Berberovic, 50, a Bosnian television producer and Shanaat Nahrawand, 23, a journalist with dual Bosnian and Jordanian citizenship, were released as part of a prisoner exchange on March 20. Berberovic had been detained for 52 days and Nahrawand for 26 days.

Silajdzic Views Federation, Future Prospects

AU0404082295 Split NEDJELJNA DALMACIJA in Serbo-Croatian 24 Mar 95 pp 7-8

["Exclusive" interview with Bosnia-Herzegovina Prime Minister Haris Silajdzic by Drago Pilsel; place and date not given: "The Aggression Against Bosnia Has Been Supported by the International Community"]

[FBIS Translated Text] [Pilsel] Father Petar Andjelovic, provincial of the Franciscans of Bosnia, said in NEDJELJNA DALMACIJA recently that warmongers were active in Bosnia-Herzegovina regarding Croat-Bosniak Muslim relations; earlier, Cardinal Vinko Puljic, the Bosnian archbishop, had said to the same paper that he had not noted any good will to implement the Federation and that the Federation was not working properly. What is your opinion on that?

[Silajdzic] The same. I do not see much good will. I see many declarations. No, I do not see that there is good will to implement the Federation; as you know, the most important thing—which returning people to their homes—has not worked out well. This is the best indication that something is not right. We can talk about the Federation and appoint heads of cantons, but where are the people? What about their return? Take Stolac or Capljina, for example. Non-Croats are not allowed there. Do you see? If this is the Federation, then it is not what we bargained for.

[Pilsel] How are things on the other side?

[Silajdzic] The same. I am afraid that often the issue concerns certain local interests and that some people are keeping their options open, hoping for some better solution. Unfortunately, only the third side, the aggressor, can benefit from our disagreements. I think that there is a lack of political willingness, of openness and consistency in certain areas as far as the Bosniak-Croat relations are concerned, and relations between the Republic of Bosnia-Herzegovina and the Republic of Croatia. We have not come far in our agreements, in the agreements between the two governments. For instance, we still have deposits, visas, and many other things we could resolve. However, I repeat, there is lack of good will. On the other hand, I can say that I have done everything to keep the door to the Croatian Government open, whenever I could. It seems to me that there is no response on the Croatian side.

Reasons To Celebrate

[Pilsel] Vice President Gore talked about celebrating the first anniversary of the Washington Agreement, but at your press conference you said there were not too many reasons to celebrate. Then you made sure you explained that the recent document signed in Zagreb did not represent a military alliance between the Croats and Muslims, but simply coordination between the commands.

[Silajdzic] That is correct. You see, as far as celebrating is concerned, there are reasons to celebrate on the one hand. The most important thing after all is that the killing has stopped. Do you know how many more young people would have been killed if we had not signed the documents?! If only one life had been saved, there would have been reason to celebrate. On the other hand, there are also reasons for criticism. So far, we have not managed to do what we were expected to do, like bring people back to their homes.

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[Pilsel] Someone used Einstein's famous saying in Copenhagen: 'We cannot solve the problems using the same kind of thinking we used when we created them.' Does this saying contain the answer to the question of why the Federation is obstructed and who is responsible for it?

[Silajdzic] I think that is it. The people who took part in the conflicts are not capable of offering the necessary initiatives for bringing the Federation to life. After the rotation, we will try to employ a specific method to find out the names of people who are against the Federation. If you have people who say that "The Federation is the Croat republic of Herceg-Bosnia plus some of their Bosnia," and so on, then it is absolutely clear what the issue is and what the people saying that are responsible for. I have already said that there are people on the east bank of the Neretva River looking at their apartments in the western part of Mostar, and, a year after everything, they cannot go there. It therefore seems to me that many are playing two different cards and keeping other options open.

[Pilsel] Is there another option?

[Silajdzic] I do not believe there is, because if there were another option, we would have found it. In fact, there is another option—it is war, it is sending other people's sons to their death.

[Pilsel] What do you think about the behavior of the religious leaders in Bosnia-Herzegovina?

[Silajdzic] They are doing what they can in Sarajevo, Mostar, and in other places. However, we should bear in mind that times are different now. You know how many problems church people have had with extremists of all kinds. One of the reasons is probably the differences between the daily political moves and the centuries-old religious experience of the religious communities. They have different viewpoints and different discourses. For instance, it is very hard to reconcile Catholic culture and the opening of cafes and offices. The latter is closer to basic existence, but which is more realistic?

Granic's Patience

[Pilsel] According to what you have said, it turns out that the provincial of the Bosnian Franciscans was not far from the truth when he said that we are close to another disastrous conflict between Croats and Muslims, which will have terrible consequences for both peoples. Do you think that relations are not that bad?

[Silajdzic] I would like it if he were not right. However, Father Andjelovic is usually right. I value his opinion very highly because he lives among the people and for the people. The Franciscans live with the people without any reservations, and the provincial is very well aware of what is going on. I am afraid precisely because of what he has said, and since things are as they are, we should do everything to hinder the minority, which is capable of putting into question the Federation and everything else—solely for its own interests. When we started the talks, and when we were signing documents in Washington and Vienna, we knew that we wanted to do so. There was willingness then. I must say that Mr. Granic had a great role in that; he was always very patient while we negotiated. I know that I was not always in the mood to talk but he always had patience, and he worked at it. We wanted it and, naturally, we negotiated as had been agreed upon with our political leadership. But what do we have now? There are some who again are digging trenches and turning their weapons against each other. It is sad that the interests in question are often the most basic, lowest ones.

[Pilsel] In keeping abreast of your talks with reporters, I had the impression that you did not like the way some of the media commented, as you put it, on the recent military cooperation between Croat and Bosniak forces, that is, the recent attempt to coordinate commands....

[Silajdzic] I reacted. I do not see why I should discuss that in public. I see no need for that. This is a war, which is a very serious thing, not some show!

Dead Letters

[Pilsel] Your speech at the plenary session was greeted with the longest round of applause at the summit meeting in Copenhagen. Were you surprised by that, or do you think this was just another sanctimonious act of protocol?

[Silajdzic] The applause was certainly fine by me. It seems to me that some things are changing, that one era is over, but that another has not yet started. We are in a kind of transition period that can be very dangerous. If we indeed are living in a global village, as we heard in Copenhagen, then peace is also global, and global war is also possible. The question is what we are going to make global—concentration camps and genocide, or tolerance and coexistence? The question is, therefore, what rules of the game are on the scene. This is why I asked what our basic frame of reference was. Since the Cold War era relations between East and West ended—and this was the standard for many things—we wonder what we have today. Legality, mere interest, or the human being? Many have become completely pragmatic and materialistic, which could be fatal for the life on this planet because, with a little more perspective, we want more and more. The way out of this situation is to learn to want more while setting real standards. If the standard is the human being, then let it really be that way.

[Pilsel] This is the reason I asked you what relations between the applause to your speech, the talk about development, and the reality in which you live in your country was....

[Silajdzic] In my opinion, there are many misunderstandings about what development means. Is it the automatic consequence of linear quantitative economic growth or something else? These issues are not resolved

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here; they are only raised. My speech was aimed in that direction, and I think this is the reason it was acclaimed. Now at least some aspects of language and approach are changing.

[Pilsel] I would not agree with you as far as the appearance of President Mitterand concerning Bosnia is concerned. I asked him if the European Community would acknowledge ethnic cleansing as a political argument, and he, naturally, answered that the question was irrelevant since the European Community would not approve of it, as it was built on the principles that completely oppose what has been done to Bosnia-Herzegovina and its people.

[Silajdzic] Yes, I have heard this. Maybe Mitterand was talking about a new cycle of violence and ethnic cleansing, since this one de facto has been acknowledged. The aggression against Bosnia-Herzegovina was supported twice by the international community: First with the introduction of the arms embargo, with which they forbade the defense of the victim-country, and later by maintaining the status quo, which leads to the legalization of what was achieved through violence and genocide. How can you talk about law, justice, and order, if you do not know what to do with people whose idea of economy is robbery, and to whom ethnic cleansing represents the ultimate remedy for social problems? I said that something was changing in the intention, but we know what diplomacy has achieved. How can we seriously discuss global leadership and responsibility if some 50 UN Security Council resolutions concerning Bosnia have remained dead letters? What is the credibility that the international diplomats, including President Mitterand, are talking about?

[Pilsel] That is why I asked you that question—I had the same impression of the aforementioned applause as I did regarding what Mitterand said. However, what about development from your, Bosnian, perspective?

[Silajdzic] I said that, generally speaking, there are several acute problems as far as development is concerned. First, we have less and less resources, and more and more people. Resources are limited, and we need discipline rather than a faster race toward consumerism. Moreover, we need to define the main criterion for development. Is development quick progress?! Not necessarily. As far as I am concerned, things have to be slowed down at times. It is also necessary to define the main rules: Why are we talking about social development? What was discussed in Copenhagen has nothing to do with reality, at least as far as Bosnia-Herzegovina is concerned. Naturally, Bosnia is not the entire world, but we must not forget that this was also said in 1939. This great mistake killed several million people and pushed the world into a great disaster. This is why I raised the question of whether, from our perspective, we can discuss justice and development if 20th century television broadcasts the siege of Sarajevo, Gorazde, Visegrad, or Bihac as something that happened in the Middle Ages. Is this the development we support? Can we discuss reallocation of defense resources to social problems if we promote force? Can we say that children are our main concern if we have 17,000 children killed in Bosnia-Herzegovina? This is why I attempted to present several observations, and allowed myself a generalization, since we in Bosnia-Herzegovina seem to be living in the Stone Age. Even after the embargo has been confirmed harmful, some governments still insist on it, believing it is good to isolate the conflict while sacrificing Bosnia to their illusion of peace and order.

[Pilsel] Will you go to Washington?

[Silajdzic] No. I am going to China to inform the authorities there of our situation. China is a very important member of the Security Council. Unlike Croatia, we do not have particularly well-established relations with China, and we believe it is necessary to improve them. We want to be equal and inform them of our situation ourselves.

[Pilsel] Will President Izetbegovic go to the United States?

[Silajdzic] I was told that he would be visiting Germany at that time. The Bosnia-Herzegovina delegation is supposed to be headed by Zubak, Ljubijankic, and others.

[Pilsel] Are you aware of the fact that, for instance, in Denmark the Bosnia-Herzegovina authorities are not allowed to officially visit the refugees, of whom there are about 15,000?

[Silajdzic] I did not know that until now. I was told that this decision was up to the local Red Cross, as a protection measure for those who were granted political asylum after fleeing their country. These regulations are old but are still in force. This is very painful for our people, because they look forward to such meetings. This is another irony in our sad everyday life.

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UN Will Be Ordered Out of Western Slavonia

AU0304195295 Paris AFP in English 1929 GMT 3 Apr 95

[FBIS Transcribed Text] Zagreb, April 3 (AFP)—Croatia is to order UN peacekeepers out of western Slavonia, one of four "protected areas" located in the east of the republic, an official Croatian source told AFP Monday on condition of anonymity.

Croatia will "in the next few days officially demand the withdrawal" of the peacekeepers from the region, which is inhabited by a Croatian majority but neighbours eastern Slavonia, where separatist Croat Serbs have declared part of their self-styled Krajina republic.

The UN troops, part of the UN Protection Force whose mandate expired on March 31, provided a buffer between the separatist Serbs who seized control of eastern Slavonia in a Belgrade-backed war of secession in late 1991, and Croatian forces aiming to reimpose Zagreb's sovereignty over the region. The UN Security Council on Friday issued a new, amended mandate for UN forces in Croatia, henceforth to be known as the UN Confidence Restoration Operation in Croatia (UNCRO) and to be reduced in numbers by more than half.

The senior official told AFP that the area that the UN forces would be required to leave was "no longer a UN-protected area." An official with the European observer team said that Zagreb had ordered Argentinian and Jordanian UN peacekeepers deployed in the government-held part of Slavonia to dismantle their road checkpoints in the region.

Meanwhile Milan Martic, leader of the self-declared Serb republic of Krajina which covers about a quarter of Croatian territory, repeated Monday threats not to allow peacekeepers into areas under its control. In a statement through the Croatian Serb agency ISKRA, Martic said he warned UN mediator Thorvald Stoltenberg that "the fact that (Krajina's) position was not taken into account calls into question its accord on maintaining the peace force." He said he had the "total support" of the people and most political groups in the area who urged him "not to allow the sovereignty of the state (Krajina) and wider national interests to be threatened."

The statement said the UN mandate could have "very serious consequences for the fragile stability of the region." The UNs top two figures in former Yugoslavia, Yashushi Akashi and General Bernard Janvier, will fly to New York Friday and Monday respectively for talks to clarify the terms of the mandate, UN sources in Zagreb said Monday. They will talk to UN Secretary-General Butrus Butrus-Ghali. A UN official said there was confusion over the mandate and "clarification is needed urgently at the highest level."

In Croatia a demarcation line runs through western Slavonia between government and Serb-held areas. The 860 Argentinians and part of the 1,020-strong Jordanian contingent of the UN are deployed in the government-controlled area, where around 50,000 Croatians cohabit with some 5,000 ethnic Serbs, with Nepalese and Jordanian UN troops deployed in the Serb-held areas in the south of the region.

The region, traversed by the Zagreb-Belgrade motorway, was bitterly fought over during the war ended by a truce in January 1992. Serb-held Slavonia, along with other regions to the south and east of Croatia, form part of the "Krajine republic." [as received]

Government Bans RSK Trucks From Highway

LD0304120895 Belgrade TANJUG Domestic Service in Serbo-Croatian 1113 GMT 3 Apr 95

[FBIS Translated Text] Zagreb, 3 Apr (TANJUG)—Croatian authorities have banned trucks from the republic of Serbian Krajina [RSK] from using the [Zagreb-Belgrade] highway, which additionally increases Knin-Zagreb tensions.

It was explained today that the Zagreb government decided to take this measure because the Serbs had placed signs with the name of the republic of Serb Krajina along the highway. The ban was imposed on 1 April and will last until the insignia of the "Serb parastate" are removed, it was announced in Zagreb.

RSK Army Holds Military Exercise 31 Mar

AU0304205695 Banja Luka Srpska Televizija in Serbo-Croatian 1930 GMT 31 Mar 95

[FBIS Translated Text] A joint tactical exercise of the Serb army of Krajina was held on Kordun, in which the units of the 21st Kordun Corps and of the Command of the Serb army of Krajina took part. We have a report.

[Unidentified correspondent] Infantry, artillery, antiaircraft defense, and armored-mechanized units took part in the exercise. Members of the volunteers units that have come to help the Serb army of Krajina at the time in which there is an increasing number of Croatian threats to the youngest of the Serb states also displayed their skills.

[Unidentified officer] Today's exercise is part of the exercise activity the Serb army of Krajina has been carrying out at all the possible locations of the aggressor's attack. It was carried out according to the model that could possibly take place on this location. The exercise and activities we carried out today here in the broader Slunj area are part of the plan regarding the training and testing of the combat readiness of the 21st Corps units. I think that all the participants have displayed their skill in handling the complex war weapons very well.

[Correspondent] The tactical moves and the cooperation of all the units functioned perfectly, which is not surprising since most of the participants in the exercise have over four years of war experience on all fronts. Although the exercise was held under extremely difficult weather conditions, excellent results were achieved.

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Martic: Resolution Undermines Peace Process

LD0304164495 Belgrade TANJUG Domestic Service in Serbo-Croatian 1600 GMT 3 Apr 95

[FBIS Translated Text] Knin, 3 Apr (TANJUG)—The office of Milan Martic, president of the republic of Serb Krajina, today issued a statement saying that "certain contacts with relevant international factors are under way in order to review all the aspects of UN Security Council Resolution No. 981," and that President Martic will "acquaint the public as soon as possible" with his views on this issue.

The statement, signed by Petar Damnjanic, head of the Information Service, points out that president Martic has already drawn the attention of Stoltenberg, cochairman of the conference on the former Yugoslavia, and the UN Security Council, to the fact that ignoring the views of the republic of Serbian Krajina will jeopardize Krajina's agreement to the stay of the peace forces.

The statement notes that the adoption of UN Security Council Resolution No. 981 fundamentally undermines the already initiated peace process and puts at stake all the results achieved so far in the sphere of finding a peaceful solution to the dispute between the republic of Serbian Krajina and Croatia.

This resolution awards the policy of ultimatums and pressures pursued by the Croatian leadership, the statement says. It also draws attention to possible consequences of such decisions, which "can be very dangerous as regards the fragile stability in this region."

Serb Krajina Army: 'Enemy' Helicopter Downed

LD0404111895 Belgrade TANJUG Domestic Service in Serbo-Croatian 1012 GMT 4 Apr 95

[FBIS Translated Text] Knin, 4 Apr (TANJUG)—The General Staff of the Serb Krajina army has issued a statement saying that units of its air force and antiaircraft defense downed an enemy helicopter in the region of Primislje between Slunj and Otocac [in Krajina, Croatia, west of Bihac] on 26 March. The helicopter was transporting weapons and other combat equipment from Croatia to the Muslim 5th Corps in the Cazin area.

"Having carried out all the necessary operational and investigative activities, the air force and antiaircraft defense command confirmed that the enemy helicopter was hit and downed after it violated the airspace of the republic of Serbian Krajina," the statement says.

Deputy Prime Minister Skegro Views Economy

95BA0199D Osijek GLAS SLAVONIJE in Serbo-Croatian 6 Mar 95 pp 4-5

[Interview with Borislav Skegro, M.A., deputy prime minister of the Republic of Croatia, by Helena Puljiz; place and date not given: "Inflation Was Not Stopped by a Monetary Trick!"]

[FBIS Translated Text] How do we win the battle against unjustified price increases? How do we solve the problem of high interest rates, which are a brake on economic development? How large are Croatia's debts, and what is our position at the moment in negotiations with the Paris Club? Are the assertions true about the government's "favorites," who are paying whatever taxes they feel like? What difference will the Law on Securities make? These are some of the questions we put to Borislav Skegro, M.A., Croatian deputy prime minister, a man whose professional motto is "In the beginning, there were numbers!"

[Puljiz] According to the figures you presented in the last meeting of the government, a milder rise of retail prices was recorded in Croatia in February, and this, it seems, is no longer a concern to the government. But you are upset by the rise in the prices of services?

[Skegro] This is really a low rate of inflation of 0.1 percent per month, which would be an annual inflation rate of 1.2 percent, which is a very low number and even below European averages. However, within that 0.1 percent many goods have dropped in price, while services are somewhat more expensive. Services are not drastically more expensive, but this is a problem that we have been anticipating.

A Majority of Services Are in a Quasi-Monopolistic Position

[Puljiz] Why?

[Skegro] Because most of the services are in a quasi-monopolistic, if not outright monopolistic, position, because they are unaffected by foreign competition.

When we look at changes from year to year, then we see that services in February 1995 were some 19 percent more expensive than in February 1994, and that is what bothers me personally and also the government. At the same time, goods have become 4 percent less expensive on the average. A large portion of those services do not formally come under jurisdiction of the government. You have local administration and self-government, which is directly responsible for a large portion of those services. The government does not have administrative control of a single price, and I think that that is good. But because some of the services are nevertheless under our indirect authority, we will be concerned with this problem, because we must not be insensitive or neglectful of "unjustified" price increases. It is obvious that the growth of purchasing power that occurred in 1994 was felt in the form of increased demand, and some people, feeling that greater demand, have raised their prices in keeping with the laws of economics.

But the economic policy that the government is conducting must not be insensitive to these things, and the government must take the steps available to it. In a market economy, it is natural for some prices to rise and some to fall, and relative prices are the measure of both,

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and they are changing. They reflect changes in productivity, the scarcity of the factors of production, and external influences, and that is the basic postulate of a market economy, the natural mechanism through which the market economy functions.

We do not get excited about every price increase if it is economically warranted. For example, potatoes became more expensive because the demand remained constant, but the supply was down because of the drought, and this, we were told, is a quite natural price increase in keeping with the laws of supply and demand.

But we will likewise appeal to economic laws when the supply is greater than demand, and when some prices fall, we will not honor the objections that prices have fallen so low that it does not pay to produce "such and such."

Inflation Has Not Been Halted by Monetary Policy

[Puljiz] Inflation has been brought down by restrictive monetary policy, and it seems that the time has come for certain changes in this area.

[Skegro] The first and basic thing, and I emphasize this, repeating it three times, is that inflation has not been stopped by monetary policy!

That is a phrase that is being stated in public, and it goes pretty much like this: "You have done a monetary trick, and if it were not for that monetary trick, everything would be much, much different." Those who think that it is that simple to halt inflation by a monetary trick, I repeat for the fourth time, and I also said this in the parliament, let them just go abroad and let them earn money advising those governments that have problems with high inflation. If all it took was monetary tightening, then economic policy as a whole would come down to monetary tightening and restriction. It is a much more complicated matter. I will recall only the stabilization program, which also contained a very large fiscal component, which in the medium term was much more important than the monetary component. Monetary policy does not operate outside time and space anywhere; and then there is income policy, and then tax policy, fiscal policy, the policy of expenditures, and structural policy. All of this taken together was necessary to halt inflation, not a monetary trick, and that is why I reject that assertion.

You should put the question about possible changes in monetary policy to the National Bank of Croatia [NBH], because the government does not conduct monetary policy. The foundations of monetary policy have been sketched out in the Letter of Intent with the International Monetary Fund, which was the topic of a regular review the other day, and that will continue. What I know is that there are no great changes in monetary policy, but there have been large changes, which we are working on, in the program for restructuring, the privatization program, and the program for reconstruction and growth.

Interest Rates Are Not Brought Down by Magic

[Puljiz] High interest rates, which are stifling development and are an outright brake on economic invigoration, are a big problem in the program for restructuring....

[Skegro] That is true, and the entire program agreed upon with the IMF is ultimately aimed at the principal objective of development stimulated by investment. If investment is to be stimulated, we need to bring down interest rates, and if they are to drop, we have to eliminate those who are dictating them. High interest rates are not dictated by the government in its decree, nor by the good customers, but by the bad customers who take loans regardless of the rate of interest just to survive from one day to the next. They are dictated by the large guzzlers of credit, as we might call them, most of whom are in the government sector, whether they are public firms or firms in which the state has majority ownership. And then also there are the expensive banks that have not been put on a sound financial footing as yet.

The government cannot bring down interest rates by some trick, by some kind of magic. If that were possible, believe me, we would have done it long ago, long before this conversation of ours. This can be achieved only by a protracted process of restructuring to eliminate those dictating the rates of interest and ready to take loans at a monthly rate of interest of 5, 6, or 7 percent, when obviously they do not have the productivity or basis for repaying such a loan. They take such loans because they do not seriously intend to pay them back and because in some phase they then intend to socialize them (I use this word advisedly because of its association with socialism). They intend to pass the buck to the state either in the form of public debt or in the form of nonpayment, and then with political pressure they will try to get the state to cover that debt for one reason or another, because, they think, in the end no one else is going to cover it.

Another form of pressure is for those bad debts and chains of illiquidity to be covered by expansive monetary policy, by an expansion of credit, which would signify a return to inflation, to that screen behind which many inefficiencies have been concealed.

The Government Does Not Have Any "Favorites" When It Comes to Taxes

[Puljiz] Can we anticipate a correction of the present exchange rate of the kuna in the coming period?

[Skegro] We have had a foreign exchange market, such as it is, for a year and a half now, and whenever entities on the market reach agreement on the exchange rate, we as the government can only find out in the morning how much it is.

Neither the government nor the NBH is setting the exchange rate administratively; a correction could occur

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if there were a change from the market system of setting the exchange rate to a fixed exchange rate system, but that would signify a completely different economic policy. We have always been in favor of the market, and that applies in this area as well. Whenever those offering and those bidding reach agreement on the market, we will simply record that exchange rate. Of course, with other instruments we will be concerned about the real (not realistic!) effective exchange rate of the kuna.

[Puljiz] Early in the year, the government had a problem with inappropriate and insufficient financing of the budget, and Prime Minister Valentic joined the finance minister in announcing the Stibra campaign, and you yourself have recently emphasized on several occasions the tense situation concerning the budget. Because the budget is now being financed by Stibra, there is a fear that it will be financed that way throughout the entire year.

[Skegro] Stibra is a campaign that under normal circumstances would not be necessary: Greater discipline and promptness of taxpayers would eliminate the need for it. But, unfortunately, no country is immune to the tendency to evade taxes, including Croatia, and Stibra merely increases the degree of the state's seriousness in collection of its revenues.

Every beginning of the year is difficult, seasonally difficult, from the fiscal standpoint, because there is a lull in activity after Christmas and New Year's, and there are also certain other factors. For example, agriculture is deep in its winter's sleep at that time, but a great number of expenditures remain the same throughout the year. Salaries do not drop in the first quarter and then rise in the third, but rather, like a number of other elements on the expenditure side, they are fixed throughout the year. Revenues are smallest in the first quarter, somewhat larger in the second, and highest in the third, when you have tourism, agriculture, and other activities as well as the inflow from excise and sales taxes.

The situation with the budget is fairly tense right now, but we are still keeping it under control, so that we will not be taking a loan. The state budget is not taking loans! Nor will it be taking them!

Stibra is a campaign that will last throughout the entire year, but insofar as taxpayers are more prompt, that will correspondingly reduce the need for Stibra.

Debts Are Croatia's Big Problem

[Puljiz] Now that we are talking about the collection of taxes, there have been frequent objections that the government has its "favorites," who declare whatever level of taxes they wish....

[Skegro] Do you know any of these "favorites"? Let those who think they know some of them draw up a list of supposed favorites and present it to us. And sign it. Those are bedtime stories spun by those who have been caught, and now they are justifying themselves by saying that others are not being treated in the same way. There are no favorites of the government when it comes to public firms and even less private firms....

[Puljiz] Debts are Croatia's big problem in this phase of restructuring the economy. It is well known, that is, that the external debt amounts to $3 billion, but how much is the domestic debt?

[Skegro] Here we have to make a distinction between debt that has come due and debt that has not. The debt that has come due is large, but it is divided into domestic and foreign debts, and there is, of course, a connection between them. I insist on debt that has come due, that is, obligations that have not been met, but total outstanding debt is another matter. The $3 billion is not Croatia's debt that has come due, but rather that is the amount of outstanding debt, which fluctuates. The part that has come due and that is not being paid is a topic of our talks with the Paris Club, because for a time we were not servicing a certain portion of the debt. One part of the debts and interest, according to the international financial institutions, we serviced the entire time, but one portion we did not for objective and justifiable reasons. When we talk about the domestic kuna debt, again making the distinction between debt that is due and outstanding debt, it is difficult to give any definite figure, because we would have to go over the entire system. Certainly we would have to know for each private firm, even the smallest, how much it owed and how much it had borrowed, but what we do know are the uncollected claims that have come due. Those debts are large, but I would say that they are not yet so large that in and of themselves they represent a problem and a need for direct intervention.

Negotiations Are Not Announced in the Newspaper

The way to resolve those debts, aside from financial discipline, is through privatization and, let's face it, bankruptcies, that is, reorganization of capital.

That is why we will soon come out with a completely new Law on Bankruptcy, which will speed up procedure, because that is the principal way to protect creditors. For example, if you have given someone money and if you have taken some kind of mortgage in case the debtor does not pay, the law will make it possible for you to get your money more quickly without lengthy and painful court trials lasting several years, possibly even by means of an urgent out-of-court settlement.

[Puljiz] What is Croatia's position at the moment in negotiations with the Paris Club?

[Skegro] Good.

[Puljiz] What does that mean?

[Skegro] I cannot tell you anything else, because that is the agreement with the Paris Club that no one—neither

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we nor they—make any public statements about what we intend and what we think. Those are negotiations, and negotiations are not announced in the newspapers.

[Puljiz] The Law on Securities is being prepared as one of the laws that will regulate the market for capital. What kind of arrangements will it bring?

[Skegro] It is above all an attempt to instill order and safety in the securities trade. We have had to enter into the process of privatization and into the securities trade, but we did not have the appropriate legal framework. The new proposed version of the Law on Securities has already gone through its first reading in the parliament, and the government is about to adopt the draft of the final version. The law regulates several things: It introduces new institutions that must exist if people are to have any trust in securities, in shares of stock, so that it becomes some kind of alternative to saving.

So, new rules are being introduced, and to many it will seem like excessive regulation, as though freedom is being hampered. The best illustration of the need for something like that is perhaps the example of countries that have a tradition of several centuries in securities trading, but they nevertheless have large deceptions and big troubles unless everything is clearly and firmly set forth and regulated.

[Puljiz] According to certain reports, Croatia anticipates a wave of investments in the amount of $1 billion.

[Skegro] Croatia will quite certainly have larger investment activity than it has had during the past three or four years, for several reasons.

One of the reasons is the increased security of investment, in the sense of the military and political situation, and that is one of the main reasons, although certainly not the most important one, why the mandate of the UNPROFOR [UN Protection Forces] was denied, to finally resolve that situation.

The second reason is that we have managed to create macroeconomic stability, because however much political stability you have, no one wants high inflation over the long term. It can be accepted speculatively, for a period of a month, two months, or three, to collect something or get something moving.

The need for reconstruction come third, and this certainly will require large investments on the demand side. The estimate might be right in that sense.

[Puljiz] You took part in the negotiations with the delegation of the European Union on acceptance of Croatia into the PHARE [Economic Reconstruction Aid for Poland and Hungary] Program. Can you tell us something specific about that?

[Skegro] There was talk about regions in which Croatia would be a beneficiary of the program, and there are, of course, numerous such regions. There was a great deal of talk at the technical level, and I personally talked about the basic directions in which that program would be involved in Croatia. The main directions are aid in the processes of restructuring, stimulation of small and medium-sized enterprises, in certain development and environmental projects, in financial rescue of banking, and so on.

People Have Various Reasons for Leaving

[Puljiz] How, in your opinion, can we solve the problem of the constant high unemployment trend over several years, and thereby also the problem of brain drain?

[Skegro] Unemployment figures need to be interpreted cautiously. I am convinced that unemployment is less than recorded, and this is a problem of statistics. There are people registered as unemployed who work unofficially, and there is even a situation where one individual may turn up under three or four statistical classifications at the same time.

The biggest problem is actually so-called structural unemployment, because at one and the same time we have vacancies for certain occupations, but a large number of these people are included among the unemployed. At the same time, regional immobility is a problem, because you have zupanijas and cities in Croatia that need manpower, and at the same time you have the unemployed, say, in Zagreb and certain other major cities.

As for brain drain, no one has precise figures on this; those are impressions.

[Box, p 5]

We Are Creating the Conditions for the Return to Croatia

People's motives for going abroad are varied. Inability to find work in Croatia is not the only one.

[Puljiz] Nevertheless, economic reasons are foremost!

[Skegro] It is quite certain that economic reasons are the most important in the long run, but perhaps not in the short run. When someone decides to leave Croatia temporarily, you cannot say for certain what all the motives might be.... People perceive and assess the situation that is neither war nor peace in differing ways.

In any case, Croatia has no choice: Either in a very short time, and a short time is a few years, it will become a country attractive to live in because of its standard of living, or some of the very best people will leave Croatia. That is precisely why we are doing everything in order to create all the conditions for people not only to stay in Croatia, but also to come back!

Government, Employers, Unions Sign Agreement

95BA0200A Zagreb VJESNIK in Serbo-Croatian 3 Mar 95 p 1

[Article by Lj. M.: "Basic National Contract Signed"]

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[FBIS Translated Text] *Wages will necessarily include 232 kunas (the former hot meal), a bonus of 700 kunas (the former refund) is not mandatory, and an employer does not have to (but may!) pay for days on strike.*

After almost 10 months of negotiations, on Thursday the government, the Croatian Association of Employers, and three trade union headquarters (SSSH [Union of Independent Trade Unions of Croatia], HUS [Croatian Association of Trade Unions], and KNSH [Confederation of Independent Trade Unions of Croatia] finally signed a Basic National Contract for the Economy and Public Enterprises, and an annex regulating wages and material compensation. The national consensus achieved among the social partners is only the beginning of the real job—concluding sector collective contracts, and an agreement on a new Labor Law.

According to the documents signed, employers are required to increase the base wage of 680 kunas by 323 kunas (the former hot meal), so the lowest pay for simple jobs is 1,003 kunas. The minimum wage is 867 kunas. A one-time bonus of 700 kunas (the former refund) may be paid, but does not have to be. The social partners also determined the amounts of material compensation, some of which the employer has to pay (for example, transportation to work), and some of which he can pay, if he has the money. The employer does not have to (but may!) pay for days on strike, and because the withholding of union dues from wages was not regulated, that was left for agreement between the union and the employer at the enterprise.

Wages and other forms of compensation will be increased by 2 percent as of 1 April, according to the decision on wages. The signed annex to the National Contract, which is valid until 31 March, would be extended from that date.

Measures To Improve Defense Capabilities

95BA0200C Zagreb VJESNIK in Serbo-Croatian 7 Mar 95 p 32

[Unattributed HINA article: "Measures To Improve the Defense System"]

[FBIS Translated Text] Zagreb—The third session of the Military-Technical Council, chaired by Croatian Defense Minister Gojko Susak, was held on Tuesday at the Croatian Defense Ministry. In addition to the council's members, high-level officials from the Croatian Government and prominent individuals from industry and Croatian educational and scientific research institutions were also present, according to a communique from the Croatian Defense Ministry's Political Administration.

There was a discussion of the implementation of specialized university postgraduate studies for the Croatian defense system's needs, and the implementation of the strategy for technical modernization of the Croatian Army. Possibilities for the further development of the Croatian defense industry were analyzed, and there was a discussion of possibilities for defense training abroad. After a rather long discussion, corresponding conclusions were adopted, the implementation of which, according to the communique, will attempt to raise the defense capabilities of the Croatian Army and the Croatian defense system.

RSK Official on 'New' UN Deployment

95BA0203A Maribor VECER in Slovene 14 Mar 95 p 5

[Interview with Slobodan Jarcevic by Zarko Rajkovic; place and date not given: "Is War Inevitable?"]

[FBIS Translated Text] *The Serbs in Croatia are insisting on an independent state; the Krajina Serbs will not allow monitoring of the border with the Serbs in Bosnia.*

Belgrade (from our associate)—Half of the 12,000 UNPROFOR [UN Protection Forces] troops are staying in Croatia, but that has not eliminated the danger of a new outbreak of war. Quite the contrary—the 6,000 new peacekeepers in Croatia will not even be able to monitor, much less prevent, new conflicts on the 1,500-km line of separation between the Serbs and the Croats.

Slobodan Jarcevic, an adviser in the RSK [republic of Serbian Krajina] foreign ministry, claimed in an interview for VECER that the Serbs in Croatia would not give in and that they would insist on an independent state.

[Jarcevic] Tudjman's game was very transparent from the very beginning. We knew immediately that the denial of hospitality to the Blue Helmets was just a diplomatic pretense. He portrayed himself to the world as peaceful, but prepared a new trap for the Serbs.

[Rajkovic] What, specifically, are you thinking of?

[Jarcevic] The Serbs will be portrayed to the world as aggressors once again. They will try to deploy the new Blue Helmets on our borders with the Serbs in Bosnia and Yugoslavia. They would thus actually prevent all traffic and completely isolate the Serbs in Croatia. Croatia has strengthened itself militarily. Tudjman thinks that he is capable of a military victory on some parts of the front, but that is not true. Our parliament will meet in a few days. I think that at that session, it will adopt a decision on a new referendum in which our people will make it clear to the world that the Serbs and Croats in this region can only live as neighbors in two neighboring countries.

[Rajkovic] Can that mean anything but another war?

[Jarcevic] We have to defend ourselves. The republic of Serbian Krajina has existed for almost five years now. During that time, 350,000 Serbs in Croatia have been driven out of their homes. I am talking about Serbs who are not within our state. Fourteen thousand of them were shot just because they were Serbs....

[Rajkovic] Where did you get that information?

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[Jarcevic] I can prove it. If that happened to the Serbs who remained in Croatia, you can imagine what would happen to the Serbs who were at war. It would be a massacre. It is understandable that no one in the Krajina will agree to such suicide.

[Rajkovic] What will happen if Milosevic recognizes Croatia?

[Jarcevic] Nothing. The Serbs in Krajina and the Serbs in Bosnia will defend themselves.

[Rajkovic] Without assistance from Yugoslavia?

[Jarcevic] With it or without it—that is another question. What is important that if so far the Serbs have not been separated by 12,000 UNPROFOR troops, the 6,000 that are to come will not do it either. The only real way is political negotiation.

[Rajkovic] Croatia is an internationally recognized state, and Krajina is not. Who will accept you at the negotiating table?

[Jarcevic] We exist, whether anyone recognizes that or not. Why do you think so many international delegations are coming to Knin? If we did not exist, they would not come.

[Rajkovic] Is a new war inevitable?

[Jarcevic] I only know that peace in this region is not close yet.

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Laws on Police, Intelligence Service Passed

AU0304134895 Skopje VECER in Macedonian 30 Mar 95 p 5

[Article by "V.V.": "Police Laws Passed"]

[FBIS Translated Text] Two "police" laws—on internal affairs and on the intelligence service—representing the first reforms in this field and which had been going through parliament for two years, were passed by the Assembly of the Republic of Macedonia [The Former Yugoslav Republic of Macedonia—FYROM] yesterday, thus concluding the 10th Assembly Session. At the 11th Session, Assembly members passed eight laws ratifying agreements with Slovenia, Croatia, Turkey, and Albania, as well as making other decisions. The 10th session was not attended by representatives of the PDP [Party for Democratic Prosperity] and became the first time that a quorum problem arose. It was resolved half an hour later, however, when a number of absent members entered the Assembly chamber.

The decisions on the police laws divide the Interior Ministry force into three parts: the Ministry of Internal Affairs, which now becomes the crime police; the Independent Security and Counterintelligence Office; and the Independent Intelligence Agency. In his introduction, Interior Minister Ljubomir Frckovski pointed out that the basic reasons for the reforms are to avoid a party split among professionals in the Interior Ministry and to prevent the ministry's work from being obstructed. In deciding on the model, Frckovski said, the government took into consideration how things work in parliamentary democracies, as well as our own legislation. The aim was to avoid legal gaps and to promote the role of the police as a service for citizens that will efficiently stop criminal acts.

He also emphasized that a standard system of supervision has been established, concluding that these laws provide the Interior Ministry with standard parliamentary positions. These police forces will help provide the conditions for a further strengthening of a state ruled by law and democracy in the Republic of Macedonia.

In the general discussions on the law on internal affairs, Zoran Sapuric of the LP [Liberal Party] said that the opinion of the Liberals was that the reforming approach in some areas could have been more wide-ranging. In this context, he mentioned that the administration is still in the hands of the Interior Ministry, which is not the case in other civic democratic states. As for economic crime, Sapuric said that it should be the responsibility of the Finance Police, and, turning to intelligence activities, he pointed out that Macedonia, being a small and peaceful state, should focus on counterintelligence activities. Ace Kocevski (LP) suggested that the government should prepare a program on the changes in the political system in order to avoid unnecessary disagreements, emphasizing that if this was done, we would then know exactly what the duty of the Interior Ministry is, and thus define the civic status of the citizen as well as the duties of the state administration.

Since a number of the Liberals' amendments had been accepted by the government and incorporated into the text of the laws, the discussion on the amendments went smoothly. The law on internal affairs was passed by 72 votes. There was a similar atmosphere during the discussions about the Law on the intelligence service, which was passed with 61 votes.

Eight laws were passed at the 11th Session ratifying agreements with Slovenia, Croatia, Turkey, and Albania, and there was scarcely any discussion on these matters. Unexpectedly, the proposal that was expected to raise the hottest discussions—changes in the Law on passports, giving all Assembly members diplomatic passports—was withdrawn by the proposer, Dragi Mitevski (LP). Explaining the reason for this, Mitevski pointed out that his intentions had attracted some bad publicity, with the public thinking that members would use their diplomatic passports for foreign business activities.

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Federal

Djokic: Mandate Brings 'No Significant Changes'

AU0304205395 Belgrade NASA BORBA in Serbo-Croatian 3 Apr 95 p 1

[Article by Z. Radovanovic: "Security Council Resolutions Bring No Significant Changes"]

[FBIS Translated Text] Kragujevac—"The resolutions on the UN peacekeepers in the former Yugoslavia in essence bring no significant changes. Instead of one, the United Nations has now established three operations, since it is thought that each one is specific in its own way. When it comes to Croatia, the name of the operation is still unclear since the present UNCRO [UN Confidence Restoration Operation in Croatia] is given in brackets, and the mandate of the peacekeepers is still under question, but everything else is more or less the same." Ambassador Dragomir Djokic, chief of the Yugoslav mission to the United Nations in New York, told this to Radio Kragujevac yesterday, commenting on the latest resolution of the Security Council that extends the UN peacekeepers' mandate until 30 November.

Ambassador Djokic added that what remained to be done was for the UN secretary general to work out between Knin and Zagreb by 21 April the details of the peacekeepers' operations for Croatia.

According to him, there are practically no changes in the Security Council resolutions regarding Bosnia and Macedonia [The Former Yugoslav Republic of Macedonia—FYROM], except that the mandate of the peacekeepers has been extended for another eight months.

UNPROFOR [UN Protection Force] will continue to operate in Bosnia as it has done so far. The UN secretary general received instructions to have the resolutions for Bosnia and Macedonia implemented immediately, while in Croatia the issue of the control of the borders remains open, according to Djokic, until the modality of the operation is worked out. Djokic added that during the consultations in the Security Council due consideration was given to the views of Knin, and that the new resolution mentioned the Vance Plan in several places as the basis for further negotiations between the republic of Serbian Krajina and Croatia.

The Yugoslav UN ambassador then said that considerable concern had been expressed in diplomatic circles over the offensive that the Muslim forces had launched some 10 days earlier in the former Bosnia-Herzegovina. According to him, that did not mean that the Security Council would condemn the Muslim side, but it still reflected the growing displeasure felt by the international community, as it believed that the escalation of the war in Bosnia-Herzegovina would destroy all its efforts at reaching a peaceful solution to the crisis. That is why new proposals and initiatives aimed at extending the cease-fire—which expires at the end of April—can be expected.

Serbia

Kostunica Sees RSK Resisting New UN Mandate

AU0304192395 Belgrade NASA BORBA in Serbo-Croatian 3 Apr 95 p 3

[FoNet-attributed report: "Name of UN Forces Will Stir Resistance in Republic of Serbian Krajina"]

[FBIS Translated Text] Belgrade—Vojislav Kostunica, chairman of the Democratic Party of Serbia [DSS], has told FoNet that the latest resolutions by the UN Security Council on the former Yugoslavia solve certain dilemmas, particularly surrounding the outbreak of a new war between Croatia and the republic of Serbian Krajina [RSK].

"However, just as one can be satisfied with this part of the Security Council resolution, the other part that leaves some uncertainties and opens new dilemmas leaves something to be desired," Kostunica believes.

According to him, the main problem will be caused by the name of the UN Protection Force on the territory of Croatia, which—as he stresses—"practically prejudices the political and constitutional solution as it excludes the RSK as an equal international negotiating side in future negotiations."

"Such a solution will doubtless open some disputes, and it has also revealed the partiality of the international community in attempting to reintegrate in a quiet way the RSK into Croatia without its agreement. That will be resisted on the territory of the RSK, and at the moment it is hard to predict all the consequences of this resistance, and the displeasure that has already been made public," DSS chairman says.

SPO Chairman Welcomes Extension of UN Mandate

AU0304185695 Belgrade NASA BORBA in Serbo-Croatian 3 Apr 95 p 3

[FoNet-attributed report: "All That Matters Is That Mandate Has Been Extended"]

[FBIS Translated Text] Belgrade—Commenting on the latest resolutions on the former Yugoslavia by the UN Security Council, Vuk Draskovic, chairman of the Serbian Renewal Movement [SPO], said that the only way peace can be reached is through compromise and concessions. He said that such agreements can never meet the maximal demands of all the warring sides, so, as he said, everyone had reason to complain.

"However, complaints are immaterial when the alternative is the continuation of the war and the tragedy. War is the worst possible option, and that is my principled view, but I have to add that I do not yet know all the details of the resolutions adopted last night," Draskovic said.

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According to him, what is most important is the fact that the mandate of the UN forces in the former Yugoslavia has been extended.

"Just imagine if last night they had decided to withdraw UN troops, and send in NATO to get them out. That would have been an introduction to a catastrophe of huge proportions.

"It is very important that the UN Security Council has called on the Pale leadership to accept the Contact Group plan as the basis for further negotiations. I repeat, as a basis and not as a diktat or a take-it-or-leave-it order," Draskovic concluded.

Sandzak's Ugljanin Demands 'Reciprocity' in B-H

AU0304161295 Sarajevo Radio Bosnia-Herzegovina Network in Serbo-Croatian 1300 GMT 3 Apr 95

[Report by Mediha Colo on the news conference by Sulejman Ugljanin, chairman of the Muslim National Council of Sandzak, in Sarajevo on 3 April—recorded]

[FBIS Translated Text] [Colo] The Declaration on the Violations of Human Rights and Freedoms of Bosniak Muslims in Sandzak and Other Parts of Serbia and Montenegro is the first official document with which the state of Bosnia-Herzegovina stands as a protector of the members of its nation in the rump Yugoslavia.

Speaking about the significance of this declaration, Sulejman Ugljanin, chairman of the Muslim National Council of Sandzak, stressed its value for future contacts between the representatives of the Sandzak Bosniaks and the international organizations. There was a noticeable need for such a document in earlier contacts with the representatives of the international peace conference.

Ugljanin stressed that the state of Bosnia-Herzegovina did not previously use the problem of Sandzak for political purposes, as it had been waiting for the world to see for itself the terror against the Bosniaks in the rump Yugoslavia. Two documents had been issued recently on the violations of human rights and freedoms in Sandzak, which encouraged the adoption of the declaration. These are the report by the [U.S.] State Department, and another one by the International Conference on Human Rights in Geneva.

The most important part of the declaration, according to Ugljanin, is the fact that it requests from the international organizations to obtain a special status for Sandzak within the rump Yugoslavia. Based on this document, Bosnia-Herzegovina will request that all the political issues between itself and Serbia be solved on the principle of reciprocity, which means: What Serbia demands for the Serbs in Bosnia-Herzegovina, Bosnia-Herzegovina will demand for the Bosniaks in Sandzak. According to Sulejman Ugljanin, this way Milosevic's aspirations toward conquering Bosnia-Herzegovina territory will be reduced.

Bank Starts New Type of Joint Venture

95BA0188C Belgrade VECERNJE NOVOSTI in Serbo-Croatian 22 Feb 95 p 7

[Article by D. Nedeljkovic: "A Full Store With No Money"]

[FBIS Translated Text] Private operators will be able to get goods from producers on exceptionally favorable terms and with deferred payments, covered by a full guarantee of the bank.

PKB [Beograd Agroindustrial Combine] Banka is preparing a broad range of forms of business cooperation for about 400,000 private firms. It is true that up until now private operators have not been accustomed to being shown much concern, so this makes it all the more a surprise for them that PKB Banka should furnish what Zoran Matic, deputy general director, is announcing.

"The bank and its partners will above all provide supplies of what are called 'staples' to small and medium-size private firms," Zoran Matic said. "This refers above all to vegetable oil, flour, sugar, detergent, confections, and milk. Through its partners, the bank is ready to purchase sizable quantities of these products and make them available to stores, small firms, and all other merchants. And do so under conditions they cannot count on from other producers."

The bank is also setting certain conditions: that the enterprise it supplies be its customer and "keep" its giro account in the bank.

Protection of Interests

The initiative of PKB Banka came after it was learned that the private sector does not have "its own" bank to protect its interests and allow it to purchase goods on more favorable terms. The conclusion can be drawn from an analysis, buttressed by a conversation with Radoje Djukic, minister for private enterprise in the Government of Serbia, that a truly very large number of business executives and entrepreneurs "do not know what to do with themselves," as those in the bank put it. Usually they are left to the mercy of the large producers, and often subjected even to blackmail. No one backs them up, and no one can offer them guarantees when they deal with the "big operators."

"In this situation, the bank can really do a great deal for them," Zoran Matic added. "It above all concludes contracts with the large producers and guarantees supply to the private operators and small firms. The bank likewise guarantees those producers that the private operators will pay their debt on time, and most important, they do not have to post an advance. Instead, they get goods with payment deferred, which for all practical purposes is a loan from the bank."

There should be no doubt that this move by PKB Banka will be favorably received by the private sector. Especially because the private firm or independent operator

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can count on many other services from it in addition to the guaranteed supply and deferred payment. Those who wish it can enter into joint arrangements, production at mutual risk, but also with shared profit. Likewise, they can undertake investment projects with the help of the bank. Private operators, then, can be depositors, but also stockholders of the bank, if they enter into a joint venture with it.

A Different Approach

For all practical purposes, the bell has tolled for conventional loans. That is the reasoning at PKB Banka. Their commitment is to joint investments in which they would share the risk and the profit.

"In that case, we are making it possible for our customer to be more than a debtor; we put him in a more favorable position. He is our collaborator, a stockholder of the bank," Matic said.

Asked who guarantees him that the project will produce a profit, Matic said:

"The bank stands behind every joint venture with its capital and management. Every venture is thoroughly studied, and past experience shows that the stockholder has been in a considerably more favorable position than the savings depositor. That is, the profit is always greater than 'simple' interest."

PKB Banka is also ready to offer a number of other services in the financial area. There have been changes to that end in the way the bank's holding company is organized, and MB Kontinent, an enterprise for production, sales, and services, has been established. It is based on arrangements with customers, joint ventures in production, sales, and engineering. This enterprise is to be the main point of support in an altogether different approach to the bank's customers.

"We should especially mention," the deputy director of PKB Banka added, "that every customer is assured security in collecting foreign exchange abroad, and payment, once the sanctions are removed, of course. This bank has a broad network covering most of the world."

[Box, p 7]

Guarantee

Foreign exchange savings in PKB Banka have been growing steadily for a year now. This is a fact that shows how safe the bank is and how much confidence customers have in it.

"We are ready at any moment to pay money to customers, whether in dinars or foreign exchange," Zoran Matic said. "For that matter, our bank is not burdened with old foreign exchange savings at all. We do not owe the public a cent. If they just want to keep their foreign exchange, we have the most modern safes, with seven locks and electronic guards. Whoever wants to save gets the usual rate of interest. But if he wants to cooperate with the bank on a stockholding basis, he will earn considerably more."

Kosovo

Tirana Paper Views Serbian Resistance Movement

AU0404063795 Tirana RILINDJA in Albanian 1 Apr 95 p 10

[Article by Fahri Musliu: "Time of Memorandums"]

[FBIS Translated Text] Belgrade—The leaders of the so-called Serbian Resistance Movement from Kosovo Polje, led by Momcilo Trajkovic, failed former governor of Kosova and currently manager of an agricultural cooperative, seem to have become very active in what they call "settling the question of the Serbs in Kosova, because the current regime is not solving it as a national state and ideological issue, and is preserving its own power by deceiving the people and leaving them to their own devices."

This "movement" emerged in August last year with a letter addressed to the Serbian public and state, in which it "called for the problem of Kosova to be put on the agenda." Nevertheless, the ruling Socialist Party, the state authorities, and many Serbian democratic parties (if such exist) condemned it as "unacceptable and destructive" and with "antistate tendencies." Well-informed sources even report that, at a meeting of the "Serbian leaders from Kosova" with the president of Serbia, Milosevic criticized them for such activities. He even threatened Miroslav Solevic, who behaved arrogantly, with physical liquidation if he persisted in such destructiveness, because the Kosova issue was not their business but the state's, and must be solved in discussion with the Albanians.

The State Encourages the "Movement"

Such reactions from the state and President Milosevic himself not only have not helped to "pacify the leaders of the movement," but have spurred them on to greater efforts. This was evident a few days ago when they issued a statement to the public in which they announced that they are preparing a Pan-Serb assembly at Gracanica near Prishtina (for which they have obtained the agreement of Serbian Patriarch Pavle), in which the most eminent representatives of the Serbian nation "from all the Serbian lands" will take part. It will take place in mid-April, not at the end of March as had been planned.

Intensive preparations are taking place for this "Pan-Serb assembly," which the organizers do not omit to call "historic" (!?) The most visible signs of this have been the frequent contacts and consultations between the initiators and their fellow thinkers and supporters in Belgrade, Pale, Knin, and Podgorica. Talks in the last few days in Belgrade between the "Serbian leaders from Kosovo Polje," i.e. Trajkovic, Ristic, Solevic, Basara,

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etc. with the chiefs of some Serbian nationalist opposition parties such as Seselj, Djindjic, Kostunica, Nikola Milosevic, Rakitic, and others, who are in practice considered the leaders of the "fighting front" that supports the militant policies of Radovan Karadzic, were also devoted to these preparations. As Momcilo Trajkovic informed journalists, this meeting achieved a total consensus, and it was observed that "the Serbian national and state issue, especially in Kosova, has not been solved, and this calls for urgent measures." It was therefore decided to prepare a "memorandum," to be drawn up by the academician Miodrag Jovicic, the historian Ljusin, and Professor Kosta Cavoski. The draft "memorandum" will be discussed by a council of about 100 eminent Serbs from "all the Serbian lands," to be held on 8 April at the Patriarchate of Pec, while the final text will be approved by acclamation at the "Pan-Serb assembly" at Gracanica.

The memorandum in question, Trajkovic says, must answer the question of how to solve the Serbian national and state problem and how to oppose "Albanian separatism in Kosova," when it is remembered that "Albanian separatism is achieving its main ends, while Serbian policies are not offering tangible responses and solutions." The council at Pec will also appoint a Serbian national council, whose membership will also be announced at the Pan-Serb assembly, and whose mission will be to undertake "the solution of the Serbian question in Kosova and the unification of all the Serbian lands."

"The Father of the Nation" in Play, Too

Analysts and political circles in Belgrade say that the "Serbian Resistance Movement from Kosovo Polje" has been egged on by its longstanding mentors, first of all Dobrica Cosic, the "father of the nation," and also the extremist wing of the Serbian Orthodox Church, and Serbian academicians and extremist intellectuals, watchdogs of the "national cause." These watchdogs are very disappointed at the failure of their hegemonist plans outlined in the Memorandum of the Serbian Academy of Arts and Sciences in 1986, which not only led to the destruction of the then Yugoslav community (in which the Serbs lived in one state) and incited the appalling war in these areas, but also became "the Serbian nation's grave." One, therefore, wonders what the function of the Gracinica memorandum will be, when the Serbs have had no luck so far with documents of this sort.

All these activities of the "Serbian fighting front" are taking place at a time when Serbia's political leadership, faced with severe international pressures and conditions, must take radical decisions to end the war and to solve the crisis in the former Yugoslavia. Political circles here say that the main aim of these activities is therefore to put pressure on President Milosevic not to give way to the international community by recognizing the international borders of Croatia and Bosnia, which would mean "the elimination of all the Serbian victories since World War I," as Dobrica Cosic said in Visegrad a few days ago. These extremist Serbian forces are especially distressed about the status of Kosova, which, as they say, will soon come on the agenda. They add that "any territorial and political autonomy for Kosova will enable the Albanians to assume total power, and thereby to occupy Kosova, while the Serbs will be left as a minority within their own state."

The current Belgrade regime has for the moment still not reacted to these activities and initiatives, which clearly do not suit it at this moment of "radical peaceful turning points," but it is nevertheless sometimes claimed that the regime is secretly backing them, with the aim of showing the international community that any greater concessions could cause the eruption of conflicts within Serbia itself.

However, one surprising thing is that Nikola Pasic, the leader of the Serbian Radical Party (a splinter group of Seselj's party) and Jovo Glamocanin (well known for organizing anti-Albanian rallies) have both objected to the formation of the national council and the holding of the Pan-Serb assembly, calling the creation of the council "damaging" and considering it an attempt by Seselj and his fellow thinkers to divide opinions within the regime and also to seize power in Serbia with the help of nonparliamentary means, by misusing the problem of Kosova. It is thought here that Glamocanin is now a satellite of the Serbian Socialists in the Yugoslav parliament and this might be a hint that the Socialists, by sponsoring this reaction, are testing the pulse of public opinion.

Bukoshi Meets With Albanians in Slovenia

95P20658A Skopje FLAKA E VELLAZERIMTT in Albanian 13 Mar 95 p 2

[Article by Saubi Demiri: "Kosova Will Make Sacrifices for Freedom and Not for Peace and Quiet"]

[FBIS Translated Excerpt] Ljubljana, 12 March—"We do not have any intentions of making spectacular speeches, but we will try to cover some important points that are of vital importance for the issue of Kosova," Dr. Bujar Bukoshi, prime minister of the government of the Republic of Kosova, said at the meeting he held on 11 March in Ljubljana with Albanians who live and work in Slovenia and Groatia.

Prime Minister Bukoshi rejected the talk that the policy of Kosova is demoniacal. [He said:] "Since the current situation in Kosova is well known, we must all become better organized, and not merely proclaim unity. [passage omitted] We are for peace but we will not allow peace to be maintained at the expense of the Albanians, and we are informing the international factors that there will be no peace in this region as long as the Albanian issue is not resolved in a fair way."

Talking about the colonization of Kosova that Serbia is currently carrying out, he said that this diabolical process must be opposed at any cost. [He said:] "I am

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troubled by the fact that the abandonment of lands in Kosova has assumed disturbing proportions, and this should be ended at any cost. The recruitment of Albanian youths by the Serbian authorities is in accord with this process [of colonization]."

Speaking about the recent events in Macedonia [The Former Yugoslav Republic of Macedonia—FYROM], Dr. Bukoshi said that this is irresponsibility on the part of the Macedonian regime, and that it has validated, once again, the choice of the Albanians to become state-forming if Macedonia wants to be a stable state.

[Republic of Kosova] ministers Muhamet Bicaj, Tsa Mustafa and Halit Muharremi were present at this meeting.

Speaking about the problems of the campaign for Albanian schools, Minister of Finance Isa Mustafa informed the attendees at the meeting that no agreement has been reached on this matter, and he made an appeal for us to be vigilant because 2 million Deutsch marks are needed each month for the teachers of the 350,000 Albanian students and pupils in the Kosova education system. Muhamet Bicaj also spoke about the problems faced by the Kosova education system.

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